

Town of Lisbon, Connecticut

Financial Statements and
Supplementary Information

Year Ended June 30, 2013

Town of Lisbon, Connecticut

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Independent Auditors' Report

The Board of Finance Town of Lisbon, Connecticut

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lisbon, Connecticut ("Town") as of and for the year ended June 30, 2013, 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.

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, 2013, 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 and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 fund financial statements and supplementary schedules are presented for purposes of additional analysis and is 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 March 20, 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

Wethersfield, Connecticut
March 20, 2014

Town of Lisbon, Connecticut

Management's Discussion and Analysis
June 30, 2013

Town of Lisbon, Connecticut

Management's Discussion and Analysis
June 30, 2013

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, 2013. Please read it in conjunction with the Town's financial statements, which begin with Exhibit 1.

FINANCIAL HIGHLIGHTS

- The Town's net position, both governmental and business-type activities, increased by \$377,472.
- The General Fund Balance increased to \$2,407,496, which was a \$177,956 increase for the year. The fund balance is 17.74% of revenues for the year. This is an increase over last year's 16.76%.
- The mill rate increased from 16.9 to 19.6 mills for the 2012-13 fiscal year due to the revaluation.
- The Board of Education was able to return \$41,070 to the General Fund and the Board of Selectmen returned \$165,644.

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 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 of Lisbon, Connecticut

Management's Discussion and Analysis
June 30, 2013

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 a reconciliation at the bottom of the fund financial statements.
- *Proprietary funds*—When the Town charges customers for the services it provides—whether to outside customers or to other units of the Town—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net 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 activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

Town of Lisbon, Connecticut

Management's Discussion and Analysis
June 30, 2013

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 \$377,472 from a year ago. Last year net position increased by \$1,025,689. Our analysis below focuses on the net position (Table 1).

Table 1
Net Position

	Governmental Activities		Business-type Activities		Total Government	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 4,729,355	\$ 4,479,190	\$ 184,271	\$ 140,692	\$ 4,913,626	\$ 4,619,882
Capital assets	12,394,756	11,763,357	3,102,305	3,206,965	15,497,061	14,970,322
Total assets	17,124,111	16,242,547	3,286,576	3,347,657	20,410,687	19,590,204
Long-term debt outstanding	6,057,302	5,498,572	-	-	6,057,302	5,498,572
Other liabilities	291,519	149,944	49,033	50,748	340,552	200,692
Total liabilities	6,348,821	5,648,516	49,033	50,748	6,397,854	5,699,264
Deferred infows of resources	32,496	-	-	-	32,496	-
Net position:						
Net investment in capital assets	7,857,035	7,629,982	3,102,305	3,206,965	10,959,340	10,836,947
Restricted						
Expendable	474,084	420,837	-	-	474,084	420,837
Nonexpendable	4,411	4,411	-	-	4,411	4,411
Unrestricted	2,407,264	2,250,727	135,238	89,944	2,542,502	2,340,671
Total net position	\$ 10,742,794	\$ 10,305,957	\$ 3,237,543	\$ 3,296,909	\$ 13,980,337	\$ 13,602,866

On the full accrual basis, the Town increased its net position by \$377,472. This increased net position from \$13,602,866 to \$13,980,337. The Net Investment in Capital Assets increased by \$227,053 because \$1,135,254 of capital assets were placed into service this year. The majority of this was a \$900,000 land purchase. Depreciation reduced the total by \$620,015. There was also new debt of \$900,000, which offset the land purchase. The capital asset and long term debt transactions are discussed more later.

Town of Lisbon, Connecticut

Management's Discussion and Analysis
June 30, 2013

The changes in net position of the Town are summarized in Table 2 below. In total, the Town increased net position by \$377,472 this year compared to an increase of \$1,025,689 last year.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues:						
Charges for services	\$ 709,233	\$ 756,398	\$ 155,877	\$ 130,313	\$ 865,110	\$ 886,711
Operating grants and contributions	5,350,900	5,578,516	-	-	5,350,900	5,578,516
Capital grants and contributions	2,586	367,195	-	-	2,586	367,195
General revenues:					-	-
Property taxes	8,324,368	7,998,281	-	-	8,324,368	7,998,281
Grants and contributions	176,871	577,252	-	-	176,871	577,252
Interest and investment earnings	6,182	6,224	-	-	6,182	6,224
Loss on disposal of equipment	(8,386)	(3,655)	-	-	(8,386)	(3,655)
Total revenues	<u>14,561,754</u>	<u>15,280,211</u>	<u>155,877</u>	<u>130,313</u>	<u>14,717,631</u>	<u>15,410,524</u>
Program expenses						
General government	1,388,449	1,367,699	-	-	1,388,449	1,367,699
Fire protection	148,794	154,236	-	-	148,794	154,236
Police protection	127,552	160,352	-	-	127,552	160,352
Highways and streets	416,987	440,609	-	-	416,987	440,609
Seniors and senior center	105,651	99,054	-	-	105,651	99,054
Recreation	76,150	97,931	-	-	76,150	97,931
Education	11,751,100	11,722,093	-	-	11,751,100	11,722,093
Interest on long-term debt	110,232	108,889	-	-	110,232	108,889
Water Pollution Control Authority	-	-	215,244	233,972	215,244	233,972
Total expenses	<u>14,124,915</u>	<u>14,150,863</u>	<u>215,244</u>	<u>233,972</u>	<u>14,340,159</u>	<u>14,384,835</u>
Increase (decrease) in net position	<u>\$ 436,839</u>	<u>\$ 1,129,348</u>	<u>\$ (59,367)</u>	<u>\$ (103,659)</u>	<u>\$ 377,472</u>	<u>\$ 1,025,689</u>

The significant changes are discussed below:

- Operating grants decreased by \$227,616. This is primarily an decrease in the Education Grants received from the State of Connecticut. \$188,860 was received from the Education Jobs grant in 2011-12. There was no grant in 2012-13.
- Capital grants decreased by \$364,609. Because capital projects are nonrecurring, the capital grants are not similar from year to year. Last year, the Town received \$110,869 for improvements to Lisbon Meadow Park. There was no such grant in 2012-13. Last year, the Town also received \$236,742 in funding under the State's Local Capital Improvement Program Grant (LOCIP). The town only received \$2,586 in LOCIP grants this year.
- Property tax revenues increased by \$326,087 due to the increased mill rate and increased collections of back taxes and fees.
- Grants and contributions decreased by \$400,381. Last year Gavin Way was donated to the town by the developer with an estimated value of \$325,000.

Town of Lisbon, Connecticut

Management's Discussion and Analysis
June 30, 2013

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.
	2013	2012	2013		2012		
Governmental Activities							
General government	\$ 1,388,449	\$ 1,367,699	1.52%	\$ 1,206,188	\$ 1,199,386	0.57%	
Fire protection	148,794	154,236	-3.53%	148,794	154,236	-3.53%	
Police protection	127,552	160,352	-20.45%	101,840	144,771	-29.65%	
Highways and streets	416,987	440,609	-5.36%	326,172	96,110	239.37%	
Recreation	76,150	97,931	-22.24%	55,490	(41,045)	-235.19%	
Seniors and senior center	105,651	99,054	6.66%	99,434	98,216	1.24%	
Education	11,751,100	11,722,093	0.25%	6,014,046	5,688,191	5.73%	
Interest on long-term debt	110,232	108,889	1.23%	110,232	108,889	1.23%	
Totals	<u>\$ 14,124,915</u>	<u>\$ 14,150,863</u>	<u>-0.18%</u>	<u>\$ 8,062,196</u>	<u>\$ 7,448,754</u>	<u>8.24%</u>	

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

- Police protection is provided by the resident state trooper. The decrease in expenses is due to a decrease in overtime worked by the trooper. DUI grant receipts were also higher in 2012-13. This decreased both the total cost and the net cost of services.
- Highways and streets showed a large increase in the net cost. This is due to a capital grant for the purchase of new vehicles received in 2011-12. On these government-wide statements, the cost of capital assets is not included as an expense in the year of purchase, but rather, it is depreciated over time. But, the total capital grant is offset against the costs in the year it was earned.
- Recreation also had a large capital grant in 2011-12. As discussed above, this is offsetting the expenses even though the capital costs are depreciated over time.

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).

Town of Lisbon, Connecticut

Management's Discussion and Analysis
June 30, 2013

Table 4
Business-Type Activities

	Total Cost of Services		Incr. Decr.	Net Cost of Services		Incr. Decr.
	2013	2012		2013	2012	
Business-Type Activities						
Water Pollution Control Authority	215,244	233,972	-8.00%	59,367	103,659	-42.73%
Totals	\$ 215,244	\$ 233,972	-8.00%	\$ 59,367	\$ 103,659	-42.73%

The total costs decreased due to a manhole repair project that was performed last year. The revenue increased because of the Better Value tie in. These changes created the large decrease in net cost of services.

THE TOWN'S FUNDS

In total, Fund Balance increased by \$452,990. This is higher than the increases on the government wide basis primarily because of the treatment of capital asset and debt. A reconciliation of the figures is shown in Exhibit 4a.

General Fund Budgetary Highlights

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

Town of Lisbon, Connecticut

Management's Discussion and Analysis
June 30, 2013

Table 5
General Fund - Budget Summary

	Final		
Revenues	Budget	Actual	Variance
Property Taxes	\$ 7,216,978	\$ 7,309,881	\$ 92,903
Intergovernmental	4,125,307	4,076,691	(48,616)
Local Revenue	1,254,450	1,340,446	85,996
Total Revenues	12,596,735	12,727,018	130,283
Expenditures			
Selectmen's expenditures	2,464,078	2,298,434	165,644
Education	9,366,122	9,325,052	41,070
Capital outlay	23,000	21,462	1,538
Debt Service	569,785	561,314	8,471
Transfers out	180,000	180,000	-
Total Expenditures	12,602,985	12,386,262	216,723
Increase (Decrease)			
in Fund Balance	\$ (6,250)	\$ 340,756	\$ 347,006

The Town originally budgeted for no change in Fund Balance in the General Fund. During the year, a total of \$6,250 in additional appropriations was approved. Had the actual results been exactly what was budgeted, the Town would have decreased their Fund Balance by \$6,250.

Ultimately, revenues were \$130,283 higher than budgeted and expenditures were \$216,723 lower than budgeted. The actual increase in fund balance, on a budget basis, was \$340,756. This was \$347,006 higher than the final budget. The major causes of the variance were as follows:

- Property taxes exceeded the budget due to higher than expected back tax and fee collections.
- Intergovernmental revenues are lower than the budget because less monies from the Education Cost Sharing and DUI grants were received.
- Local revenues were higher than expected. The majority of the variance is due to Building Permits being \$60,237 higher than budget due to increased building at Lisbon Landing.
- The Selectmen did not spend \$165,644 of their budget with insurances, highways and the senior center making up the biggest categories under budget.
- In addition, the Board of Education did not spend \$41,070 of their budget.

Town of Lisbon, Connecticut

Management's Discussion and Analysis
June 30, 2013

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of this year, the Town had \$12,394,756 invested government activity capital assets and \$3,102,305 invested in business-type capital assets. This amount represents a net increase (including additions and deductions) of \$515,239 from last year. The increase in capital assets resulted from the completion of the track, road improvements, and the land purchase. Further information about the Town's capital assets is presented in Note 3 to the financial statements.

Debt

At year end, the Town had \$4,325,000 in bonds outstanding. This is a decrease of \$430,000 from last year. There was new debt of \$900,000 for the land purchase and a payment of old debt of \$470,000.

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 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

Fiscal year 2013-14 budgeted selectmen's expenditures are only \$4,165 higher than 2012-13 budgeted expenditures. 2013-14 budgeted BOE expenditures are \$23,514 higher than 2012-13 budgeted expenditures.

Intergovernmental and local revenues are budgeted for a slight increase from 2012-13 to 2013-14. Budgeted tax revenues are higher than 2012-13, but the Mill rate has been decreased from 19.6 to 19.4 due to an increase in the grand list.

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, 2013

Town of Lisbon, Connecticut

Statement of Net Position
June 30, 2013

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and equivalents	\$ 4,342,359	\$ 132,785	\$ 4,475,144
Receivables			
Taxes, net	165,938	-	165,938
Accounts, net	4,287	-	4,287
Usage, net	-	51,486	51,486
Intergovernmental	10,074	-	10,074
Interest on taxes receivable	37,654	-	37,654
Special assessments	162,812	-	162,812
Due from other funds	261	-	261
Inventories	5,969	-	5,969
Capital assets			
Nondepreciable	2,192,735	-	2,192,735
Depreciable, net of accumulated depreciation	<u>10,202,021</u>	<u>3,102,305</u>	<u>13,304,326</u>
Total Assets	<u>17,124,110</u>	<u>3,286,576</u>	<u>20,410,686</u>
LIABILITIES			
Accounts payable	198,692	48,772	247,464
Accrued payroll and related	47,087	-	47,087
Due to other funds	-	261	261
Accrued interest payable	45,739	-	45,739
Non-current liabilities			
Due within one year	1,437,330	-	1,437,330
Due in more than one year	<u>4,619,972</u>	<u>-</u>	<u>4,619,972</u>
Total Liabilities	<u>6,348,820</u>	<u>49,033</u>	<u>6,397,853</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenues	<u>32,496</u>	<u>-</u>	<u>32,496</u>
NET POSITION			
Net investment in capital assets	7,857,035	3,102,305	10,959,340
Restricted			
Expendable	474,439	-	474,439
Nonexpendable	4,411	-	4,411
Unrestricted	<u>2,406,909</u>	<u>135,238</u>	<u>2,542,147</u>
Total Net Position	<u>\$ 10,742,794</u>	<u>\$ 3,237,543</u>	<u>\$ 13,980,337</u>

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

Town of Lisbon, Connecticut

Statement of Activities
Year Ended June 30, 2013

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
Governmental activities							
General government	\$ 1,388,449	\$ 158,761	\$ 23,500	\$ -	\$ (1,206,188)		\$ (1,206,188)
Fire protection	148,794	-	-	-	(148,794)		(148,794)
Police protection	127,552	-	25,712	-	(101,840)		(101,840)
Highways and streets	416,987	-	88,229	2,586	(326,172)		(326,172)
Seniors and senior center	105,651	5,373	844	-	(99,434)		(99,434)
Recreation	76,150	20,660	-	-	(55,490)		(55,490)
Education	11,751,100	524,439	5,212,615	-	(6,014,046)		(6,014,046)
Interest on long-term debt	110,232	-	-	-	(110,232)		(110,232)
Total Governmental Activities	14,124,915	709,233	5,350,900	2,586	(8,062,196)		(8,062,196)
Business-type activities							
Water Pollution Control Authority	215,244	155,877	-	-		(59,367)	(59,367)
Total Government	\$ 14,340,159	\$ 865,110	\$ 5,350,900	\$ 2,586		(59,367)	(8,121,563)
General Revenues							
Property taxes, payments in lieu of taxes, interest and liens					8,324,368	-	8,324,368
Grants and contributions not restricted to specific programs					176,871	-	176,871
Unrestricted interest and investment earnings					6,182	-	6,182
Transfers in (transfers out)					(8,386)	-	(8,386)
Total General Revenues					8,499,035	-	8,499,035
Change in Net Position					436,839	(59,367)	377,472
Net Position - Beginning of Year, as restated					10,305,955	3,296,910	13,602,865
Net Position - End of Year					\$ 10,742,794	\$ 3,237,543	\$ 13,980,337

Town of Lisbon, Connecticut

Balance Sheet
 Governmental Funds
 June 30, 2013

	General	Capital Nonrecurring Fund	Special Educational Grants	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and equivalents	\$2,637,906	\$ 1,108,195	\$ 64,245	\$ 532,013	\$ 4,342,359
Taxes receivable, net of allowance for uncollectible amounts	165,938	-	-	-	165,938
Other receivables					
Special assessments	162,812	-	-	-	162,812
Accounts	-	-	41	4,246	4,287
Intergovernmental	-	-	-	10,074	10,074
Interest on taxes receivable	37,654	-	-	-	37,654
Due from other governmental funds	54,344	72,700	-	91	127,135
Due from business type funds	261	-	-	-	261
Inventories	-	-	-	5,969	5,969
Total Assets	<u>\$3,058,915</u>	<u>\$ 1,180,895</u>	<u>\$ 64,286</u>	<u>\$ 552,393</u>	<u>\$ 4,856,489</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 191,776	\$ -	\$ 6,131	\$ 785	\$ 198,692
Accrued payroll and related	46,811	-	-	276	47,087
Due to other funds	72,791	1,897	23,470	28,977	127,135
Total Liabilities	<u>311,378</u>	<u>1,897</u>	<u>29,601</u>	<u>30,038</u>	<u>372,914</u>
Deferred inflows of resources					
Unearned revenues - performance	-	-	31,570	926	32,496
Deferred revenues - not available	340,041	-	-	-	340,041
	<u>340,041</u>	<u>-</u>	<u>31,570</u>	<u>926</u>	<u>372,537</u>
Fund Balances					
Nonspendable	-	-	-	10,380	10,380
Restricted	47,346	-	-	427,096	474,442
Committed	-	214,379	-	-	214,379
Assigned	22,753	964,619	3,115	83,953	1,074,440
Unassigned	2,337,397	-	-	-	2,337,397
Total Fund Balances	<u>2,407,496</u>	<u>1,178,998</u>	<u>3,115</u>	<u>521,429</u>	<u>4,111,038</u>
Total Liabilities , Deferred Inflows of Resources, and Fund Balances	<u>\$3,058,915</u>	<u>\$ 1,180,895</u>	<u>\$ 64,286</u>	<u>\$ 552,393</u>	<u>\$ 4,856,489</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, 2013

Fund Balances - Total Governmental Funds (Exhibit 3)	\$ 4,111,038
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.	12,394,756
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	340,041
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
General obligation bonds	(4,325,000)
Compensated absences	(324,921)
Capital leases	(17,031)
Other post employment benefits	(790,560)
Pension	(404,100)
Bond and lease premiums	(195,690)
Accrued interest	(45,739)
	<u>(6,103,041)</u>
Net Position of Governmental Activities (Exhibit 1)	<u>\$ 10,742,794</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, 2013

	General	Capital Nonrecurring Fund	Special Educational Grants	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes, interest and lien fees	\$ 7,309,881	\$ -	\$ -	\$ -	\$ 7,309,881
Intergovernmental revenues	4,920,021	38,759	309,442	160,776	5,428,998
Local revenues	1,341,264	20,899	-	535,766	1,897,929
Total Revenues	<u>13,571,166</u>	<u>59,658</u>	<u>309,442</u>	<u>696,542</u>	<u>14,636,808</u>
EXPENDITURES					
Current					
General government	1,355,892	-	-	17,070	1,372,962
Fire protection	129,533	-	-	-	129,533
Police protection	127,552	-	-	-	127,552
Highway and streets	446,682	-	-	51,149	497,831
Seniors and senior center	100,547	-	-	4,174	104,721
Recreation	114,231	-	-	-	114,231
Education	10,327,874	-	307,998	620,460	11,256,332
Debt service					
Principal	470,000	-	-	-	470,000
Interest	91,314	-	-	-	91,314
Capital outlay	<u>21,462</u>	<u>900,089</u>	-	-	<u>921,551</u>
Total Expenditures	<u>13,185,087</u>	<u>900,089</u>	<u>307,998</u>	<u>692,853</u>	<u>15,086,027</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>386,079</u>	<u>(840,431)</u>	<u>1,444</u>	<u>3,689</u>	<u>(449,219)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	188,386	-	19,737	208,123
Transfers out	(208,123)	-	-	-	(208,123)
Issuance of long-term debt	-	902,209	-	-	902,209
Total Other Financing Sources (Uses)	<u>(208,123)</u>	<u>1,090,595</u>	<u>-</u>	<u>19,737</u>	<u>902,209</u>
Net Change in Fund Balances	177,956	250,164	1,444	23,426	452,990
Fund Balances - Beginning of Year	<u>2,229,540</u>	<u>928,834</u>	<u>1,671</u>	<u>498,003</u>	<u>3,658,048</u>
Fund Balances - End of Year	<u>\$ 2,407,496</u>	<u>\$ 1,178,998</u>	<u>\$ 3,115</u>	<u>\$ 521,429</u>	<u>\$ 4,111,038</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, 2013

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

Net Change in Fund Balances - Total Governmental Funds \$ 452,990

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

Capital outlay expenditures	1,146,754
Depreciation expense	<u>(515,355)</u>
	<u>631,399</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	(28,202)
Grant revenues in the Capital Nonrecurring Fund	<u>(38,759)</u>
	<u>(66,961)</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	470,000
Principal payments on capital lease	24,390
Amortization of loss on refunding bonds and issuance premium	532
	<u>(405,078)</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	(21,127)
Compensated absences	(6,473)
Special termination benefits	40,662
Change in pension and other post employment benefits asset/liability	<u>(188,573)</u>
	<u>(175,511)</u>

Change in Net Assets of Governmental Activities \$ 436,839

Town of Lisbon, Connecticut

Statement of Net Position

Proprietary Fund

June 30, 2013

	Water Pollution Control Authority
ASSETS	
Current assets	
Cash and equivalents	\$ 132,785
Receivables	
Usage, net	<u>51,486</u>
Total Current Assets	<u>184,271</u>
Noncurrent assets	
Capital assets	
Buildings and improvements	4,186,405
Less - Accumulated depreciation	<u>(1,084,100)</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>3,102,305</u>
Total Assets	<u>3,286,576</u>
LIABILITIES	
Current liabilities	
Accounts payable	48,772
Due to other funds	<u>261</u>
Total Current Liabilities	<u>49,033</u>
NET POSITION	
Invested in capital assets, net of related debt	3,102,305
Unrestricted	<u>135,238</u>
Total Net Position	<u>\$ 3,237,543</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, 2013

	<u>Water Pollution Control Authority</u>
Operating Revenues	
Charges for services	<u>\$ 155,877</u>
Operating Expenses	
Contractual services	98,978
Other supplies and expenses	11,606
Depreciation	<u>104,660</u>
Total Operating Expenses	<u>215,244</u>
Loss from Operations	(59,367)
Net Position - Beginning of Year	<u>3,296,910</u>
Net Position - End of Year	<u>\$ 3,237,543</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, 2013

	<u>Water Pollution Control Authority</u>
Cash Flows From Operating Activities	
Cash received from customers and users	\$ 140,846
Cash payments to suppliers	<u>(112,299)</u>
Net Cash from Operating Activities	28,547
Cash and Equivalents - Beginning of Year	<u>104,238</u>
Cash and Equivalents - End of Year	<u><u>\$ 132,785</u></u>
Reconciliation of Loss from Operations to Net Cash from Operating Activities	
Loss from operations	\$ (59,367)
Adjustments to reconcile income (loss) from operations to net cash from operating activities	
Depreciation	104,660
Changes in operating assets and liabilities	
Accounts receivable	(15,031)
Accounts payable	<u>(1,715)</u>
Net Cash from Operating Activities	<u><u>\$ 28,547</u></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, 2013

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 185,258
	<u> </u>
LIABILITIES	
Due to others	\$ 185,258
	<u> </u>

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

Town of Lisbon, Connecticut

Notes to Financial Statements
June 30, 2013

1. Summary of Significant Accounting Policies

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

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

A. Financial Reporting Entity

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

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

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net 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.

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.

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

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

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, 2013

1. Summary of Significant Accounting Policies (Continued)

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

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.

1. Summary of Significant Accounting Policies (Continued)

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

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

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town's policy for custodial credit risk is to invest in obligations allowable under the Connecticut General Statutes as described previously.

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

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

Taxes Receivable - Property taxes are assessed on property values as of October 1st. The tax levy is divided into two billings; the following July 1st and January 1st. This is used to finance the fiscal year from the first billing (July 1st) to June 30th 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 1st and February 1st), the bill becomes delinquent at which time the applicable property is subject to lien, and penalties and interest are assessed.

Town of Lisbon, Connecticut

Notes to Financial Statements (Continued)
June 30, 2013

1. Summary of Significant Accounting Policies (Continued)

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

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

Due From/To Other Funds - During the course of its operations, the Town has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of June 30, 2013, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances.

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

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

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

Town of Lisbon, Connecticut

Notes to Financial Statements (Continued)
June 30, 2013

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

Unearned 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.

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.

1. Summary of Significant Accounting Policies (Continued)

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

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).
- Restricted fund balance is to be reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification will be used to report funds that are restricted for debt service obligations and for other items contained in the Connecticut statutes.

Town of Lisbon, Connecticut

Notes to Financial Statements (Continued)

June 30, 2013

1. Summary of Significant Accounting Policies (Continued)

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

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

F. Encumbrances

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

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Town of Lisbon, Connecticut

Notes to Financial Statements (Continued)
June 30, 2013

1. Summary of Significant Accounting Policies (Continued)

H. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is March 20, 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.
- **Long-Term Debt and Lease Financing** - Revenues and expenditures from refunding or renewing long-term debt or issuing lease financing are included in the budget as the net revenues or expenditures expected.
- **Cash Basis Payroll** - Payroll for the Town employees is budgeted based on when it is expected to be paid. On the statements prepared under Generally Accepted Accounting Principles, payroll is charged to the fiscal year in which it is earned.
- **Transfers** - Certain transfers to the Dog Fund are shown as expenditures in the General Fund.

B. Budget Calendar

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

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

Town of Lisbon, Connecticut

Notes to Financial Statements (Continued)
June 30, 2013

2. Stewardship, Compliance and Accountability (Continued)

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

C. Budget Control

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

The governing body may amend the annual budget subject to the requirements of the Connecticut General Statutes. The Board of Finance may make a one-time additional appropriation up to \$20,000 to any appropriations. A Town meeting must be called to make appropriations over \$20,000 or additional changes to a previously adjusted appropriation. During the year \$6,250 of additional appropriations were made.

D. Application of Accounting Standards

For the year ended June 30, 2013, the Town implemented:

- GASB Statement 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* – This statement incorporates certain authoritative literature into the GASB codification.
- GASB Statement 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* – This statement discusses transactions that result in the consumption or acquisition of net assets in one period that are applicable to future periods and provides guidance for reporting them.
- GASB Statement 65 – *Items Previously Reported as Assets and Liabilities* – This statement further clarifies that appropriate use of the financial statement elements of deferred outflows and deferred inflows of resources to ensure consistency in financial reporting.

E. Prior Period Adjustment

During the 2013 fiscal year, the Town determined that bond issue costs should no longer be deferred per GASB Statement 65. Accordingly, a prior period adjustment of \$144,037 has been reflected in the Government Wide financial statements.

Town of Lisbon, Connecticut

Notes to Financial Statements (Continued)
June 30, 2013

2. Stewardship, Compliance and Accountability (Continued)

F. Expenditures in Excess of Budget

The following appropriations were over expended by the amount indicated:

Selectmen's Expenditures

Non-allocated expenditures	
Town Counsel	\$ 9,806
Highways and Streets	
Town equipment and trucks	\$ 338
Road repair and maintenance	\$ 1,325
Recreation	
Recreation purchased services	\$ 50,287

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, 2013:

Statement of Net Position - Governmental Funds	
Cash and equivalents	\$ 4,342,359
Statement of Net Position - Proprietary Fund	
Cash and equivalents	132,785
Fiduciary Funds	
Cash and equivalents	<u>185,258</u>
Total Cash and Investments	<u>\$ 4,660,402</u>

Cash and Cash Equivalents - As of June 30, 2013 the carrying amount of the Town's deposits with financial institutions was:

Cash and Cash Equivalents	
Deposits with financial institutions	\$ 1,766,727
Plus external investment pools	<u>2,893,675</u>
	<u>\$ 4,660,402</u>

The bank balance of the deposits with financial institutions was \$2,096,932 and was exposed to custodial credit risk as follows:

Covered by federal depository insurance	\$ 480,317
Uninsured and uncollateralized	<u>1,616,615</u>
	<u>\$ 2,096,932</u>

Town of Lisbon, Connecticut

Notes to Financial Statements (Continued)
 June 30, 2013

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	177,229
Special assessments	162,812
	<u>\$ 340,041</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, 2013.

	Special Educational Grants	Other Governmental Funds
Advances on grants	\$ 31,570	\$ -
Fees collected in advance	-	926
	<u>\$ 31,570</u>	<u>\$ 926</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, 2013 these were summarized as follows

Receivable fund	Payable Fund	Amount
General fund	Special educational grants	\$ 23,470
General fund	Capital nonrecurring fund	1,897
General fund	Town aid road fund	650
General fund	Other governmental funds	28,327
General fund	Water pollution controll authority fund	261
Capital nonrecurring fund	General fund	72,700
Town aid road fund	General fund	91
		<u>\$ 127,396</u>

Town of Lisbon, Connecticut

Notes to Financial Statements (Continued)
 June 30, 2013

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, 2013 were as follows

	Transfers into:		
	Capital Nonrecurring Fund	Other Governmental Funds	Total
Transfers out of: General fund	\$ 188,386	\$ 19,737	\$ 208,123

D. Capital Assets

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

	Beginning Balance	Increases	Ending Balance
Capital assets not being depreciated			
Land	1,292,647	\$ 900,088	\$ 2,192,735
	<u>\$ 1,292,647</u>	<u>900,088</u>	<u>2,192,735</u>
Capital assets being depreciated			
Buildings and systems	13,963,160	63,822	14,026,982
Machinery and equipment	3,042,660	25,144	3,067,804
Infrastructure	1,495,556	157,700	1,653,256
Less accumulated depreciation	(8,030,666)	(515,355)	(8,546,021)
	<u>10,470,710</u>	<u>(268,689)</u>	<u>10,202,021</u>
	<u>\$ 11,763,357</u>	<u>\$ 631,399</u>	<u>\$ 12,394,756</u>

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

General government	15,679
Fire protection	2,261
Highways and streets	107,931
Recreation	25,741
Seniors and senior center	1,774
Education	361,969
	<u>\$ 515,355</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	(979,440)	(104,660)	(1,084,100)
	<u>\$ 3,206,965</u>	<u>\$ (104,660)</u>	<u>\$ 3,102,305</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, 2013

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, 2013:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 3,895,000	\$ 900,000	\$ (470,000)	4,325,000	1,380,000
Capital leases	41,421	-	(24,390)	17,031	17,031
Compensated absences	318,448	6,473	-	324,921	22,069
Special termination benefits	40,662	-	(40,662)	-	-
Pension obligations	409,338	-	(5,238)	404,100	5,649
OPEB obligations	596,749	225,921	(32,110)	790,560	3,929
Less: Issue discounts	196,222	-	(532)	195,690	8,652
	<u>\$ 5,497,840</u>	<u>\$ 1,132,394</u>	<u>\$ (572,932)</u>	<u>\$ 6,057,302</u>	<u>\$ 1,437,330</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, 2013 consisted of the following:

Purpose	Year of Issue	Original Amount	Final Maturity	Interest Rates	Amount Outstanding
Water/Schools refunding	2012	\$ 3,560,000	7/15/2022	2-3%	\$ 3,425,000
Land Purchase	2013	\$ 900,000	8/14/2013	0.62%	900,000
					<u>\$ 4,325,000</u>

Interest paid and expensed on general obligation bonds for the year ended June 30, 2013 totaled \$77,560. 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
2014	\$ 1,380,000	\$ 92,120	2019	330,000	30,900
2015	475,000	78,850	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
				<u>\$ 4,325,000</u>	<u>\$ 413,970</u>

Town of Lisbon, Connecticut

Notes to Financial Statements (Continued)
June 30, 2013

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 \$34,752. This lease qualifies as a capital lease for accounting purposes. The Town's capital lease obligation at June 30, 2013 is as follows:

Total payments on capital lease(s) for year ending

	2014	17,389
Less the amount representing interest		(358)
Present value of future minimum lease payments		<u>\$ 17,031</u>

Interest paid and expensed on capital leases for the year ended June 30, 2013 totaled \$1,694.

Special Termination Benefits

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

Prior to the unionization of the Town employees, the Town made an agreement with two retiring employees to continue to pay health insurance premiums on their behalf for the rest of their lives. The Town funds these on a pay-as-you-go basis. During this year the cost of this coverage was \$3,742. The year-end liability is estimated based on the present value of estimated future insurance costs over the average life expectancy for the individuals.

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:

Town of Lisbon, Connecticut

Notes to Financial Statements (Continued)
 June 30, 2013

3. Detailed Notes on All Funds (Continued)

<u>Year End</u>	<u>Principal</u>	<u>Interest</u>	<u>Year End</u>	<u>Principal</u>
2014	5,649	31,727	2027	15,090
2015	6,092	31,284	2028	16,275
2016	6,571	30,806	2029	17,552
2017	7,086	30,290	2030	18,931
2018	7,643	29,733	2031	20,417
2019	8,243	29,133	2032	22,020
2020	8,890	28,486	2033	23,749
2021	9,588	27,788	2034	25,613
2022	10,341	27,035	2035	27,624
2023	11,153	26,223	2036	29,793
2024	12,028	25,348	2037	32,132
2025	12,973	24,403	2038	34,656
2026	13,991	23,385		<u>\$ 404,100</u>

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, 2013, \$2,930,000 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 of Lisbon, Connecticut are as follows:

Total tax collections (including interest and lien fees) for the year - primary government	7,285,860
Reimbursement for revenue loss on tax relief for the elderly (C.G.S. 12-129d)	<u>22,480</u>
Debt limitation base	<u>\$ 7,308,340</u>

Town of Lisbon, Connecticut

Notes to Financial Statements (Continued)
June 30, 2013

3. Detailed Notes on All Funds (Continued)

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation					
2 1/4 times base	\$ 16,443,765	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	32,887,530	-	-	-
3 3/4 times base	-	-	27,406,275	-	-
3 1/4 times base	-	-	-	23,752,105	-
3 times base	-	-	-	-	21,925,020
Total debt limitation	<u>16,443,765</u>	<u>32,887,530</u>	<u>27,406,275</u>	<u>23,752,105</u>	<u>21,925,020</u>
Indebtedness					
Bonds payable	<u>900,000</u>	<u>1,164,500</u>	<u>2,260,500</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of debt outstanding and authorized	<u>\$ 15,543,765</u>	<u>\$ 31,723,030</u>	<u>\$ 25,145,775</u>	<u>\$ 23,752,105</u>	<u>\$ 21,925,020</u>
In no case shall total indebtedness exceed seven times the annual receipts from taxation					<u>\$ 51,158,380</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 \$4,411 of trust principal.

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	\$ 48,294
Education	\$ 1,986
Public works	422,412
Culture and recreation	1,750
	<u>\$ 474,442</u>

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

Town of Lisbon, Connecticut

Notes to Financial Statements (Continued)
 June 30, 2013

3. Detailed Notes on All Funds (Continued)

G. Fund Balances

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

	General Fund	Capital Nonrecurring Fund	Special Educational Grants	Other Governmental Funds
Nonspendable				
Not in spendable form				
Inventories	\$ -	\$ -	\$ -	\$ 5,969
Required to be maintained				
Trust principal	-	-	-	4,411
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,380</u>
Restricted				
General Government	47,346	-	-	948
Education	-	-	-	1,986
Public works	-	-	-	422,412
Culture and recreation	-	-	-	1,750
	<u>\$ 47,346</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 427,096</u>
Committed				
Capital Projects	-	214,379	-	-
	<u>\$ -</u>	<u>\$ 214,379</u>	<u>\$ -</u>	<u>\$ -</u>
Assigned				
General government	-	-	-	16,666
Education	22,753	-	3,115	67,287
Capital projects	-	964,619	-	-
	<u>\$ 22,753</u>	<u>\$ 964,619</u>	<u>\$ 3,115</u>	<u>\$ 83,953</u>

H. Employee Retirement Systems

Teachers' Retirement System

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

Town of Lisbon, Connecticut

Notes to Financial Statements (Continued)
 June 30, 2013

3. Detailed Notes on All Funds (Continued)

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

The funding of the system is provided by required member contributions (7 percent of their annual salary) and by amounts appropriated by the State of Connecticut General Assembly. For the year ended June 30, 2013, 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, 2013 was \$5,215,272 of which \$3,386,593 was covered under this pension plan.

Connecticut Municipal Employees' Retirement Fund B

Plan description

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

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

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

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

* The head count shown is included in the groups above

Town of Lisbon, Connecticut

Notes to Financial Statements (Continued)
June 30, 2013

3. Detailed Notes on All Funds (Continued)

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

- If not covered by Social Security: 2% of the average of earnings for the three highest paid years of service.
- If covered by Social Security: 1-½% of the average of earnings for the three highest paid years of service not in excess of the year's breakpoint, plus 2% of the average of earnings for the three highest paid years of service in excess of the year's breakpoint. The year's breakpoint for 2011 is \$58,100.

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

Summary of significant accounting policies and plan asset matters

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

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

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

Town of Lisbon, Connecticut

Notes to Financial Statements (Continued)
June 30, 2013

3. Detailed Notes on All Funds (Continued)

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

Funding status and progress

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

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

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

Significant actuarial assumptions used include:

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

Actuarial accrued liability, value of assets and unfunded actuarial accrued liability as of July 1, 2011:

Total actuarial accrued liability	\$1,985,267,907
Actuarial value of assets	<u>1,753,331,163</u>
Unfunded actuarial accrued liability	<u>\$ 231,936,744</u>

Town of Lisbon, Connecticut

Notes to Financial Statements (Continued)
June 30, 2013

3. Detailed Notes on All Funds (Continued)

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

Contributions required and made

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

Contributions made:

- The contributions are actuarially determined using the entry age normal method.
- The actuarial assumptions used are the same as those used to compute the actuarial accrued liability discussed above.
- Contributions totaling \$74,663,477 (\$59,306,770 employer and \$15,356,707 employee) were made for the plan year ending June 30, 2012 in accordance with the contribution requirements approved by the Retirement Commission based on the measurement of the System as of July 1, 2010. These contributions consisted of: (a) \$52,180,274 normal cost and (b) \$22,483,203 amortization of the unfunded actuarial accrued liability. The employer and employee contributions represent 13.5% and 3.5% of the expected covered payroll, respectively, for the fiscal year ending June 30, 2012.

Ten year historical trend information

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

I. Other Post Employment Benefits

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

Town of Lisbon, Connecticut

Notes to Financial Statements (Continued)
June 30, 2013

3. Detailed Notes on All Funds (Continued)

Certified Employees

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

Non-Certified Employees

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

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

Town of Lisbon, Connecticut

Notes to Financial Statements (Continued)
 June 30, 2013

3. Detailed Notes on All Funds (Continued)

Schedule of Funding Progress

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

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

Schedule of Employer Contributions

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

Year Ended June 30,	Annual Required Contributions	Actual Contributions Made	Percentage Contributed
2013	\$ 233,967	\$ 32,110	14%
2012	230,121	31,066	13%
2011	226,440	29,801	13%

Annual Required Contribution (ARC)

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

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

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

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

Town of Lisbon, Connecticut

Notes to Financial Statements (Continued)
June 30, 2013

3. Detailed Notes on All Funds (Continued)

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 233,967
Interest on net OPEB obligation	26,323
Adjustment to annual required contribution	<u>(34,369)</u>
Annual OPEB Cost	225,921
Contributions made	<u>(32,110)</u>
Increase in net OPEB obligation	193,811
Net OPEB Obligation - Beginning of the year	596,749
	<u><u>\$ 790,560</u></u>

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

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 225,921	13%	\$ 790,560
June 30, 2012	\$ 224,789	12%	\$ 596,749
June 30, 2011	\$ 223,823	12%	\$ 403,026

Change in Assumptions

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

Other Disclosures

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

Town of Lisbon, Connecticut

Notes to Financial Statements (Continued)
June 30, 2013

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.

G. 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)

H. 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.

I. 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 61 – *The Financial Reporting Entity: Omnibus* – This statement modifies certain requirements for inclusion of component units in the financial reporting entity, amends the criteria for reporting component units, and clarifies the reporting of equity interests in legally separate organizations. This statement is effective for periods beginning after June 15, 2012.
- GASB Statement 66 – *Technical Corrections - 2012* – This statement resolves conflicting guidance. This statement is effective for periods beginning after December 15, 2012.
- 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 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. This statement is effective for fiscal years beginning after June 15, 2013.

Town of Lisbon, Connecticut

Required Supplementary Information
June 30, 2013

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, 2013

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
REVENUES					
Property Tax Revenues					
Property taxes	\$7,191,978	\$ -	\$7,191,978	\$ 7,285,860	\$ 93,882
Benefit assessment - WPCA	15,000	-	15,000	13,360	(1,640)
Sewer assessment	10,000	-	10,000	10,661	661
	<u>7,216,978</u>	<u>-</u>	<u>7,216,978</u>	<u>7,309,881</u>	<u>92,903</u>
Intergovernmental Revenues					
Education					
Education cost sharing	3,927,193	-	3,927,193	3,915,618	(11,575)
Transportation of school children	63,610	-	63,610	58,530	(5,080)
Magnet School Transportation	10,400	-	10,400	11,700	1,300
	<u>4,001,203</u>	<u>-</u>	<u>4,001,203</u>	<u>3,985,848</u>	<u>(15,355)</u>
Other					
Pequot funds	29,182	-	29,182	28,563	(619)
Document preservation grant	4,000	-	4,000	4,000	-
DUI enforcement and other grants	50,000	-	50,000	25,712	(24,288)
	<u>83,182</u>	<u>-</u>	<u>83,182</u>	<u>58,275</u>	<u>(24,907)</u>
Tax Relief					
Elderly and totally disabled	30,000	-	30,000	22,480	(7,520)
Veterans	3,500	-	3,500	2,840	(660)
Totally disabled	500	-	500	604	104
Payment in lieu of taxes - state property	6,922	-	6,922	6,644	(278)
	<u>40,922</u>	<u>-</u>	<u>40,922</u>	<u>32,568</u>	<u>(8,354)</u>
	<u>4,125,307</u>	<u>-</u>	<u>4,125,307</u>	<u>4,076,691</u>	<u>(48,616)</u>
Local Revenues					
Fees					
Land fees	15,000	-	15,000	17,279	2,279
Preservation fees	1,000	-	1,000	2,387	1,387
Planning and zoning fees	5,000	-	5,000	3,824	(1,176)
Miscellaneous fees	500	-	500	2,375	1,875
Local capital improvement fees	1,800	-	1,800	2,586	786
Sport license fees	50	-	50	120	70
Dog license fees	200	-	200	393	193
	<u>23,550</u>	<u>-</u>	<u>23,550</u>	<u>28,964</u>	<u>5,414</u>
Permits					
Building permits	35,000	-	35,000	95,237	60,237
Pistol permits	600	-	600	3,717	3,117
	<u>35,600</u>	<u>-</u>	<u>35,600</u>	<u>98,954</u>	<u>63,354</u>
Charges for Services					
Conveyance tax	16,000	-	16,000	17,697	1,697
Copies	5,500	-	5,500	7,592	2,092
	<u>21,500</u>	<u>-</u>	<u>21,500</u>	<u>25,289</u>	<u>3,789</u>
Interest on Investments					
	<u>9,000</u>	<u>-</u>	<u>9,000</u>	<u>4,772</u>	<u>(4,228)</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, 2013

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Wheelabrator					
Contract fee	\$1,000,000	\$ -	\$1,000,000	\$ 990,548	\$ (9,452)
Host community royalties	130,000	-	130,000	148,308	18,308
	<u>1,130,000</u>	<u>-</u>	<u>1,130,000</u>	<u>1,138,856</u>	<u>8,856</u>
Other					
Telecommunications property	11,000	-	11,000	11,184	184
Recreation committee program fees	23,000	-	23,000	20,660	(2,340)
Senior van donation box	800	-	800	817	17
Transfer in from other funds	-	-	-	-	-
Refunds	-	-	-	10,950	10,950
	<u>34,800</u>	<u>-</u>	<u>34,800</u>	<u>43,611</u>	<u>8,811</u>
	<u>1,254,450</u>	<u>-</u>	<u>1,254,450</u>	<u>1,340,446</u>	<u>85,996</u>
TOTAL REVENUES	<u>12,596,735</u>	<u>-</u>	<u>12,596,735</u>	<u>12,727,018</u>	<u>130,283</u>
SELECTMEN'S EXPENDITURES					
Selectmen's Office					
First selectman's salary	44,191	-	44,191	42,063	2,128
Second selectman's salary	4,757	-	4,757	4,757	-
Third selectman's salary	4,757	-	4,757	4,757	-
Bookkeeper's salary	23,150	-	23,150	23,098	52
Secretary/clerk's salary	40,076	-	40,076	40,047	29
Selectmens' supplies	3,000	-	3,000	1,186	1,814
Supplies and expense	3,000	-	3,000	1,528	1,472
	<u>122,931</u>	<u>-</u>	<u>122,931</u>	<u>117,436</u>	<u>5,495</u>
Town Clerk's Office					
Town clerk's salary	42,696	-	42,696	42,664	32
Asst. town clerk's salary	15,434	-	15,434	15,379	55
Records management service	10,400	-	10,400	10,394	6
Supplies and expense	5,250	-	5,250	4,977	273
Vital statistics	400	-	400	399	1
Document preservation grant	3,000	6,000	9,000	8,997	3
	<u>77,180</u>	<u>6,000</u>	<u>83,180</u>	<u>82,810</u>	<u>370</u>
Tax Collector's Office					
Tax collector's salary	36,283	-	36,283	36,283	-
Tax clerk's wages	6,755	-	6,755	6,552	203
Contracted service	2,605	-	2,605	2,605	-
Computer management/support	5,000	-	5,000	4,900	100
On line bill pay	1,200	-	1,200	1,200	-
Tax refunds	4,000	-	4,000	3,787	213
Supplies and expense	4,000	-	4,000	3,714	286
Delinquent motor vehicle tax fee	1,000	-	1,000	993	7
	<u>60,843</u>	<u>-</u>	<u>60,843</u>	<u>60,034</u>	<u>809</u>
Assessor's Office					
Assessor's salary	39,453	-	39,453	30,188	9,265
Assessor's clerk salary	8,424	-	8,424	8,181	243
Tax mapping	900	-	900	-	900
Computer maintenance/support	9,209	-	9,209	8,763	446
Supplies and expense	3,000	-	3,000	1,782	1,218
	<u>60,986</u>	<u>-</u>	<u>60,986</u>	<u>48,914</u>	<u>12,072</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, 2013

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Treasurer's Office					
Treasurer's salary	\$ 17,493	\$ -	\$ 17,493	\$ 17,480	\$ 13
Deputy treasurer's salary	1,000	-	1,000	1,000	-
Bank charges	900	-	900	-	900
Supplies and expense	700	-	700	403	297
	<u>20,093</u>	<u>-</u>	<u>20,093</u>	<u>18,883</u>	<u>1,210</u>
Board of Finance					
Auditor	27,250	-	27,250	22,425	4,825
Supplies and expense	1,350	-	1,350	1,313	37
	<u>28,600</u>	<u>-</u>	<u>28,600</u>	<u>23,738</u>	<u>4,862</u>
Planning and Zoning					
Purchased services	40,000	35,000	75,000	68,646	6,354
Supplies and expense	5,000	-	5,000	1,695	3,305
	<u>45,000</u>	<u>35,000</u>	<u>80,000</u>	<u>70,341</u>	<u>9,659</u>
Zoning Board of Appeals					
Supplies and expense	1,500	-	1,500	-	1,500
Board of Tax Review					
Salaries	808	-	808	808	-
Supplies and expense	200	-	200	184	16
	<u>1,008</u>	<u>-</u>	<u>1,008</u>	<u>992</u>	<u>16</u>
Conservation Commission					
Enforcement officer	8,000	-	8,000	7,846	154
Supplies and expense	1,500	-	1,500	609	891
	<u>9,500</u>	<u>-</u>	<u>9,500</u>	<u>8,455</u>	<u>1,045</u>
Historic District Study Commission					
Historic district study	1	-	1	-	1
Recycling Committee					
Purchased services	54,106	-	54,106	53,927	179
Supplies	100	-	100	-	100
	<u>54,206</u>	<u>-</u>	<u>54,206</u>	<u>53,927</u>	<u>279</u>
Registrars of Voters					
Democratic registrar's salary	7,436	-	7,436	7,424	12
Republican registrar's salary	7,436	-	7,436	7,424	12
Purchased services	700	-	700	334	366
Supplies and expense	30,000	4,500	34,500	32,798	1,702
Democratic deputy registrar	300	-	300	300	-
Republican deputy registrar	300	-	300	300	-
	<u>46,172</u>	<u>4,500</u>	<u>50,672</u>	<u>48,580</u>	<u>2,092</u>
Clerk to the Boards					
Clerk to the boards	10,000	1,300	11,300	10,720	580
Supplies and expenses	300	-	300	239	61
	<u>10,300</u>	<u>1,300</u>	<u>11,600</u>	<u>10,959</u>	<u>641</u>
Non-Allocated Expenditures					
Employee insurance	227,000	5,000	232,000	231,284	716
Social security and medicare	51,500	-	51,500	45,692	5,808
Municipal education	5,000	(1,000)	4,000	3,344	656
Unemployment compensation	5,000	(4,500)	500	-	500
Union related contingency	4,350	(261)	4,089	4,000	89
Pension	1,500	(1,000)	500	413	87

(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, 2013

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Town share retirement compensation	\$ 42,713	\$ -	\$ 42,713	\$ 39,534	\$ 3,179
Employee retirement unfunded accrued liability	45,533	(7,000)	38,533	37,988	545
Town counsel	45,000	-	45,000	54,806	(9,806)
Town engineer	35,000	-	35,000	32,310	2,690
Insurance and bonding	145,000	-	145,000	118,162	26,838
Payroll service	6,240	(1,000)	5,240	4,739	501
Consulting fees/contracted services	35,001	8,000	43,001	41,275	1,726
Town hall utilities	30,000	-	30,000	23,530	6,470
Town hall maintenance	10,000	-	10,000	9,815	185
Town hall equipment maintenance	1,000	-	1,000	420	580
Town hall computer	5,000	4,500	9,500	7,978	1,522
Town hall copier maintenance	2,850	-	2,850	1,596	1,254
Town hall postage	12,860	-	12,860	7,869	4,991
Town hall supplies and expense	3,500	-	3,500	3,003	497
Advertising and communications	7,000	-	7,000	1,076	5,924
Walking weekend	150	-	150	-	150
Donations	1,650	(800)	850	-	850
	<u>722,847</u>	<u>1,939</u>	<u>724,786</u>	<u>668,834</u>	<u>55,952</u>
Town Memberships					
Town memberships	60,519	-	60,519	59,173	1,346
Fire Protection					
Lisbon volunteer fire dept.	84,800	-	84,800	84,800	-
LVFD SCBA's	5,000	-	5,000	4,896	104
Hydrant rental	28,784	-	28,784	28,782	2
Recruitment/retention	17,000	-	17,000	17,000	-
	<u>135,584</u>	<u>-</u>	<u>135,584</u>	<u>135,478</u>	<u>106</u>
Police Protection					
Resident state trooper contract	106,214	-	106,214	100,309	5,905
Trooper's supplies and expenses	3,000	261	3,261	3,198	63
Resident state trooper overtime	35,000	-	35,000	24,045	10,955
	<u>144,214</u>	<u>261</u>	<u>144,475</u>	<u>127,552</u>	<u>16,923</u>
Other Protection and Prevention					
Building inspector wages	27,500	-	27,500	21,841	5,659
Fire marshal's salary	6,730	-	6,730	4,440	2,290
D/Em. mgmt. director's stipend	1,500	-	1,500	1,500	-
Animal control officer's salary	14,448	-	14,448	14,448	-
Tree warden stipend	200	-	200	-	200
Burning official	200	-	200	200	-
Zoning enforcement wages	10,000	-	10,000	5,093	4,907
Building inspector supplies and expense	457	1,250	1,707	1,624	83
Fire marshal supplies and expense	4,000	-	4,000	1,665	2,335
Dept. of emergency management expense	3,250	-	3,250	3,250	-
Dog damages	150	-	150	-	150
ZEO supplies and expense	375	-	375	375	-
	<u>68,810</u>	<u>1,250</u>	<u>70,060</u>	<u>54,436</u>	<u>15,624</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, 2013

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Highways and Streets					
Highway department salaries	\$ 202,030	\$ -	\$ 202,030	\$ 170,700	\$ 31,330
Street lighting	26,300	-	26,300	23,632	2,668
Contracted services	48,500	-	48,500	34,144	14,356
Town garage utilities	17,116	-	17,116	15,581	1,535
Town equipment and trucks	76,500	-	76,500	76,838	(338)
Highway dept. supplies	4,500	-	4,500	3,557	943
Road repair and maintenance	75,000	(4,500)	70,500	71,825	(1,325)
General road repair	27,000	-	27,000	26,188	812
Town garage maintenance	7,000	-	7,000	4,642	2,358
Sanitation	25,000	-	25,000	19,575	5,425
	<u>508,946</u>	<u>(4,500)</u>	<u>504,446</u>	<u>446,682</u>	<u>57,764</u>
Health and Welfare					
Public health nursing	12,000	(5,000)	7,000	3,500	3,500
Health department	28,156	-	28,156	28,156	-
Sewer line fees	7,900	-	7,900	6,390	1,510
	<u>48,056</u>	<u>(5,000)</u>	<u>43,056</u>	<u>38,046</u>	<u>5,010</u>
Seniors and Senior Center					
Senior coordinator's salary	37,128	-	37,128	37,112	16
Van driver's salary	21,060	-	21,060	20,198	862
Senior meal site wages	10,756	-	10,756	10,633	123
Senior center coverage wages	5,088	-	5,088	2,908	2,180
Senior citizen's services	4,500	-	4,500	2,177	2,323
Senior center utilities	18,000	(800)	17,200	13,613	3,587
Senior center maintenance	15,000	-	15,000	10,652	4,348
Senior van maintenance	900	800	1,700	1,265	435
Senior coordinator supplies	1,000	500	1,500	1,253	247
Senior center supplies	900	-	900	736	164
Senior center copier expense	500	-	500	-	500
	<u>114,832</u>	<u>500</u>	<u>115,332</u>	<u>100,547</u>	<u>14,785</u>
Recreation					
Special events	31,750	-	31,750	26,330	5,420
Recreation purchased services	15,000	-	15,000	65,287	(50,287)
Recreation supplies	950	-	950	-	950
Recreation mnt of municipal rec fields	10,000	-	10,000	8,330	1,670
Lisbon meadows park	23,000	-	23,000	22,670	330
	<u>80,700</u>	<u>-</u>	<u>80,700</u>	<u>122,617</u>	<u>(41,917)</u>
TOTAL SELECTMEN'S EXPENDITURES	<u>2,422,828</u>	<u>41,250</u>	<u>2,464,078</u>	<u>2,298,434</u>	<u>165,644</u>
BOARD OF EDUCATION	<u>9,366,122</u>	<u>-</u>	<u>9,366,122</u>	<u>9,325,052</u>	<u>41,070</u>
CAPITAL OUTLAY	<u>23,000</u>	<u>-</u>	<u>23,000</u>	<u>21,462</u>	<u>1,538</u>
DEBT SERVICE					
Principal, Lisbon landing and central school	335,000	-	335,000	335,000	-
Principal, general obligation bond	135,000	-	135,000	135,000	-
Interest, Lisbon landing and central school	119,784	(91,910)	27,874	19,407	8,467
Interest, general obligation bond	15,000	56,910	71,910	71,907	3
	<u>604,784</u>	<u>(35,000)</u>	<u>569,784</u>	<u>561,314</u>	<u>8,470</u>
TOTAL EXPENDITURES	<u>12,416,734</u>	<u>6,250</u>	<u>12,422,984</u>	<u>12,206,262</u>	<u>216,722</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, 2013

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Excess (Deficiency) of Revenues Over Expenditures	\$ 180,001	\$ (6,250)	\$ 173,751	\$ 520,756	\$ 347,005
OTHER FINANCING SOURCES AND (USES)					
Operating transfers out	(180,000)	-	(180,000)	(180,000)	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)	<u>\$ 1</u>	<u>\$ (6,250)</u>	<u>\$ (6,249)</u>	340,756	<u>\$ 347,005</u>
Adjustments to Generally Accepted Accounting Principles (GAAP)					
On behalf revenues from teacher's retirement netted in budget				710,357	
On behalf expenditures from teacher's retirement netted in budget				(710,357)	
Revenue from the excess cost sharing grant - student based				132,973	
Expenditures netted for the excess cost sharing grant				(132,973)	
Change in encumbrances				(164,781)	
Change in accrued payroll				1,981	
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing (Uses) - GAAP Basis				<u>\$ 177,956</u>	

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

Town of Lisbon, Connecticut

Combining Fund Financial Statements
June 30, 2013

Town of Lisbon, Connecticut

Combining Balance Sheet
 Other Governmental Funds
 June 30, 2013

	Special Revenue Funds	Permanent Funds	Total Other Governmental Funds
ASSETS			
Cash and equivalents	\$ 527,244	\$ 4,769	\$ 532,013
Other receivables			
Accounts	4,246	-	4,246
Intergovernmental	10,074	-	10,074
Due from other funds	91	-	91
Inventories	5,969	-	5,969
Total Assets	<u>\$ 547,624</u>	<u>\$ 4,769</u>	<u>\$ 552,393</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 785	\$ -	\$ 785
Accrued payroll and related	276	-	276
Unearned revenues - performance	926	-	926
Due to other funds	28,977	-	28,977
Total Liabilities	<u>30,964</u>	<u>-</u>	<u>30,964</u>
Fund balances			
Nonspendable	5,969	4,411	10,380
Restricted	426,738	358	427,096
Assigned	83,953	-	83,953
Total Fund Balances	<u>516,660</u>	<u>4,769</u>	<u>521,429</u>
Total Liabilities and Fund Balances	<u>\$ 547,624</u>	<u>\$ 4,769</u>	<u>\$ 552,393</u>

Town of Lisbon, Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Other Governmental Funds
 Year Ended June 30, 2013

	Special Revenue Funds	Permanent Funds	Total Other Governmental Funds
REVENUES			
Intergovernmental revenues	\$ 160,776	\$ -	\$ 160,776
Local revenues	535,763	3	535,766
Total Revenues	<u>696,539</u>	<u>3</u>	<u>696,542</u>
EXPENDITURES			
Current Expenditures			
General government	17,070	-	17,070
Highway and streets	51,149	-	51,149
Education	620,460	-	620,460
Total Expenditures	<u>692,853</u>	<u>-</u>	<u>692,853</u>
Excess of Revenues Over Expenditures	3,686	3	3,689
OTHER FINANCING SOURCES			
Transfers in	<u>19,737</u>	<u>-</u>	<u>19,737</u>
Net Change in Fund Balance	23,423	3	23,426
Fund Balances - Beginning of Year	<u>493,237</u>	<u>4,766</u>	<u>498,003</u>
Fund Balances - End of Year	<u>\$ 516,660</u>	<u>\$ 4,769</u>	<u>\$ 521,429</u>

Town of Lisbon, Connecticut

Combining Balance Sheet
 Special Revenue Funds
 June 30, 2013

	Dog Fund	Town Aid Road Fund	Farmers Market Fund	Senior Program Fund	Cafeteria Fund	After School Child Care Fund	Preschool Fund	Community Connection HS Fund	Fundraising Fund	Total Special Revenue Funds
ASSETS										
Cash and equivalents	\$ 16,692	\$ 422,970	\$ 1,204	\$ 1,602	\$ 14,801	\$ 40,864	\$ 65	\$ 28,083	\$ 963	\$ 527,244
Other receivables										
Accounts	-	-	-	-	-	2,956	1,290	-	-	4,246
Intergovernmental	-	-	-	-	10,074	-	-	-	-	10,074
Due from other funds	-	91	-	-	-	-	-	-	-	91
Inventories	-	-	-	-	5,969	-	-	-	-	5,969
Total Assets	<u>\$ 16,692</u>	<u>\$ 423,061</u>	<u>\$ 1,204</u>	<u>\$ 1,602</u>	<u>\$ 30,844</u>	<u>\$ 43,820</u>	<u>\$ 1,355</u>	<u>\$ 28,083</u>	<u>\$ 963</u>	<u>\$ 547,624</u>
LIABILITIES AND FUND BALANCES										
Liabilities										
Accounts payable	\$ 26	\$ (1)	\$ 90	\$ 376	\$ 206	\$ -	\$ 88	\$ -	\$ -	\$ 785
Accrued payroll and related	-	-	-	-	276	-	-	-	-	276
Unearned revenues	-	-	-	-	926	-	-	-	-	926
Due to other funds	-	650	-	-	-	-	244	28,083	-	28,977
Total Liabilities	<u>26</u>	<u>649</u>	<u>90</u>	<u>376</u>	<u>1,408</u>	<u>-</u>	<u>332</u>	<u>28,083</u>	<u>-</u>	<u>30,964</u>
Fund balances										
Nonspendable	-	-	-	-	5,969	-	-	-	-	5,969
Restricted	-	422,412	1,114	1,226	-	-	1,023	-	963	426,738
Assigned	16,666	-	-	-	23,467	43,820	-	-	-	83,953
Total Fund Balances	<u>16,666</u>	<u>422,412</u>	<u>1,114</u>	<u>1,226</u>	<u>29,436</u>	<u>43,820</u>	<u>1,023</u>	<u>-</u>	<u>963</u>	<u>516,660</u>
Total Liabilities and Fund Balance:	<u>\$ 16,692</u>	<u>\$ 423,061</u>	<u>\$ 1,204</u>	<u>\$ 1,602</u>	<u>\$ 30,844</u>	<u>\$ 43,820</u>	<u>\$ 1,355</u>	<u>\$ 28,083</u>	<u>\$ 963</u>	<u>\$ 547,624</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, 2013

	Dog Fund	Town Aid Road Fund	Farmers Market Fund	Senior Program Fund	Cafeteria Fund	After School Child Care Fund	Preschool Fund	Community Connection HS Fund	Fundraising Fund	Total Special Revenue Funds
REVENUES										
Intergovernmental revenues	\$ -	\$ 88,229	\$ -	\$ -	\$ 72,547	\$ -	\$ -	\$ -	\$ -	\$ 160,776
Local revenues	3,464	-	1,012	5,400	125,127	106,976	23,311	269,025	1,448	535,763
Total Revenues	<u>3,464</u>	<u>88,229</u>	<u>1,012</u>	<u>5,400</u>	<u>197,674</u>	<u>106,976</u>	<u>23,311</u>	<u>269,025</u>	<u>1,448</u>	<u>696,539</u>
EXPENDITURES										
Current										
General government	16,582	-	488	-	-	-	-	-	-	17,070
Highway and streets	-	51,149	-	-	-	-	-	-	-	51,149
Education	-	-	-	-	196,597	112,451	24,215	283,739	3,458	620,460
Total Expenditures	<u>16,582</u>	<u>51,149</u>	<u>488</u>	<u>4,174</u>	<u>196,597</u>	<u>112,451</u>	<u>24,215</u>	<u>283,739</u>	<u>3,458</u>	<u>692,853</u>
Excess (Deficiency) of Revenues Over Expenditures	(13,118)	37,080	524	1,226	1,077	(5,475)	(904)	(14,714)	(2,010)	3,686
OTHER FINANCING SOURCES										
Transfers in	<u>14,448</u>	-	-	-	-	-	-	5,289	-	19,737
Net Change in Fund Balances	1,330	37,080	524	1,226	1,077	(5,475)	(904)	(9,425)	(2,010)	23,423
Fund Balances - Beginning of Year	<u>15,336</u>	<u>385,332</u>	<u>590</u>	<u>-</u>	<u>28,359</u>	<u>49,295</u>	<u>1,927</u>	<u>9,425</u>	<u>2,973</u>	<u>493,237</u>
Fund Balances - End of Year	\$ <u>16,666</u>	\$ <u>422,412</u>	\$ <u>1,114</u>	\$ <u>1,226</u>	\$ <u>29,436</u>	\$ <u>43,820</u>	\$ <u>1,023</u>	\$ <u>-</u>	\$ <u>963</u>	\$ <u>516,660</u>

Town of Lisbon, Connecticut

Combining Balance Sheet
 Permanent Funds
 June 30, 2013

	<u>Palmer Fund</u>	<u>Preston Learned Fund</u>	<u>Total Permanent Funds</u>
ASSETS			
Cash and equivalents	\$ 692	\$ 4,077	\$ 4,769
FUND BALANCES			
Nonspendable	\$ 640	\$ 3,771	\$ 4,411
Restricted	52	306	358
Total Fund Balances	<u>\$ 692</u>	<u>\$ 4,077</u>	<u>\$ 4,769</u>

Town of Lisbon, Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Permanent Funds
 Year Ended June 30, 2013

	<u>Palmer Fund</u>	<u>Preston Learned Fund</u>	<u>Total Permanent Funds</u>
REVENUES			
Local revenues	\$ 1	\$ 2	\$ 3
Fund Balances - Beginning of Year	<u>691</u>	<u>4,075</u>	<u>4,766</u>
Fund Balances - End of Year	<u>\$ 692</u>	<u>\$ 4,077</u>	<u>\$ 4,769</u>

Town of Lisbon, Connecticut

Combining Statement of Net Position
 Agency Funds
 Year Ended June 30, 2013

	Balance Beginning	Additions	Deductions	Balance Ending
Student Activity Fund				
Assets				
Cash	\$ 22,780	\$ 74,396	\$ (76,815)	\$ 20,361
Liabilities				
Due to others	\$ 22,780	\$ 74,396	\$ (76,815)	\$ 20,361
Surety Bonds				
Assets				
Cash	\$ 175,949	\$ 17,501	\$ (36,728)	\$ 156,722
Liabilities				
Due to others	\$ 175,949	\$ 17,501	\$ (36,728)	\$ 156,722
Shooting Stars				
Assets				
Cash	\$ 10,125	\$ 10,109	\$ (12,059)	\$ 8,175
Liabilities				
Due to others	\$ 10,125	\$ 10,109	\$ (12,059)	\$ 8,175
Combined Total				
Assets				
Cash	\$ 208,854	\$ 102,006	\$ (125,602)	\$ 185,258
Liabilities				
Due to others	\$ 208,854	\$ 102,006	\$ (125,602)	\$ 185,258

See Independent Auditors' Report

Town of Lisbon, Connecticut

Supplementary Schedules
June 30, 2013

Town of Lisbon, Connecticut

Report of the Property Tax Collector
Year Ended June 30, 2013

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		
2011	\$ -	\$7,233,913	\$ 8,671	\$ (31,257)	\$7,211,327	\$7,089,107	\$22,900	\$ 144	\$7,112,151	\$ -	\$ 122,220
2010	117,021	-	159	(1,246)	115,934	68,264	15,996	720	84,980	-	47,670
2009	54,908	-	-	-	54,908	32,425	14,022	356	46,803	8,851	13,632
2008	22,478	-	-	-	22,478	16,621	7,444	240	24,305	-	5,857
2007	6,545	-	-	-	6,545	6,545	3,353	96	9,994	-	-
2006	4,514	-	-	-	4,514	4,514	2,409	48	6,971	-	-
	<u>\$ 205,466</u>	<u>\$7,233,913</u>	<u>\$ 8,830</u>	<u>\$ (32,503)</u>	<u>\$7,415,706</u>	<u>\$7,217,476</u>	<u>\$66,124</u>	<u>\$1,604</u>	<u>\$7,285,204</u>	<u>\$ 8,851</u>	<u>\$ 189,379</u>

Town of Lisbon, Connecticut

Activity in the Capital Nonrecurring Fund
Year Ended June 30, 2013

	Fund Balance Beginning	Approp- riations	Internal Transfers	Revenue	Current Year Expenditures	Fund Balance Ending
Committed Fund Balance:						
Expenditures Approved						
Open space fees	\$ 101,900	\$ 19,500	\$(100,000)	\$ -	\$ -	\$ 21,400
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	750	55,000	-	-	-	55,750
School 200 meter track	(47,145)	8,386	-	38,759	-	-
Town hall access improvements	834	-	-	-	-	834
Senior center boiler	11,684	-	-	-	-	11,684
	<u>192,734</u>	<u>82,886</u>	<u>(100,000)</u>	<u>38,759</u>	<u>-</u>	<u>214,379</u>
Assigned Fund Balance:						
Assigned for unspecified projects	73,482	-	-	1,399	-	74,881
Capital projects	117,659	65,000	-	-	-	182,659
Revaluation	105,100	10,000	-	-	-	115,100
Voting machine replacement	10,000	-	-	-	-	10,000
GIS assessor mapping	60,000	-	-	-	-	60,000
Public and safety vehicles	59,859	-	-	-	-	59,859
Land purchases	125,000	10,000	100,000	902,209	(900,089)	237,120
Salt shed construction	150,000	15,000	-	-	-	165,000
Plan of conservation and development	35,000	25,000	-	-	-	60,000
	<u>736,100</u>	<u>125,000</u>	<u>100,000</u>	<u>903,608</u>	<u>(900,089)</u>	<u>964,619</u>
Total of All Projects	<u>\$ 928,834</u>	<u>\$ 207,886</u>	<u>\$ -</u>	<u>\$ 942,367</u>	<u>\$ (900,089)</u>	<u>\$ 1,178,998</u>

Town of Lisbon, Connecticut

Internal Control and Compliance Reports
June 30, 2013

**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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated March 20, 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items (identified as MW-08-1) to be material weaknesses.

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*.

Town's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Town's response and, accordingly, we express no opinion on it.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this report is not suitable for any other purposes.

O'Connor Davies, LLP

Wethersfield, Connecticut
March 20, 2014

Town of Lisbon, Connecticut

State Single Audit
June 30, 2013

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, 2013. 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, 2013.

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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We have issued our report thereon dated March 20, 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

Wethersfield, Connecticut
March 20, 2014

Town of Lisbon, Connecticut

Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2013

State Program Pass-Through Grantor Program Title	State Grant Program Core-CT Number	Expenditures
Connecticut State Library		
Historic Documents Preservation Grants	12060-CSL66094-35150	4,000
Department of Transportation		
Town Aid Road Grants Transportation Fund	13033-DOT57131-43459	51,149
Department of Justice		
Non-Budgeted Operating Appropriation	34001-JUD95162-40001	2,570
Office of Policy and Management		
Reimburse Towns - Tax Loss on State Property	11000-OPM20600-17004	6,644
Reimburse Property Tax - Disability Exemption	11000-OPM20600-17011	604
Property Tax Relief for Elderly Circuit Breaker	11000-OPM20600-17018	22,480
Property Tax Relief for Veterans	11000-OPM20600-17024	2,840
Local Capital Improvement Program (LOCIP)	12050-OPM20600-40254	38,758
Department of Education		
School Readiness and Child Care	11000-SDE64370-12113	105,625
Child Nutrition State Match	11000-SDE64370-16211	2,195
Health Foods Initiative	11000-SDE64370-16212	4,768
Adult Education	11000-SDE64370-17030	11,549
School Breakfast Program	11000-SDE64370-17046	3,270
Magnet Schools	11000-SDE64370-17057	11,700
School Readiness Quality Enhancement	11000-SDE64370-17097	<u>3,156</u>
Total State Financial Assistance before Exempt Programs		<u>271,308</u>
EXEMPT PROGRAMS		
Department of Education		
Education Cost Sharing	11000-SDE64000-17041	3,915,618
Public School Transportation	11000-SDE64000-17027	58,530
Special Education - Excess Cost - Student Based	11000-SDE64000-17047	132,973
Office of Policy and Management		
Municipal Revenue Sharing	12060-OPM20600-35458	49,294
Municipal Video Competition	12060-OPM20600-35362	330
Office of State Comptroller		
Mashantucket Pequot and Mohegan Fund Grant	12009-OSC15910-17005	<u>28,563</u>
Total exempt programs		<u>4,185,308</u>
Total State Financial Assistance		<u><u>4,456,616</u></u>

The accompanying notes are an integral part of this schedule

Town of Lisbon, Connecticut

Notes to the Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2013

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, 2013. 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 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, 2013

Section 1 - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

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

State Financial Assistance

Internal control over major programs:

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

Type of report issued on compliance for major programs: unmodified

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

yes no

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

State Grantor and Program	State Core-CT Number	Expenditures
Department of Transportation: Town Aid Road Grants Transportation Fund	13033-DOT57131-43459	\$51,149
Department of Education: School Readiness and Child Care	11000-SDE64370-12113	\$105,625

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

\$100,000

Section II - Financial Statement Findings

MW-08-1 – Entity Level Controls

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

Town of Lisbon, Connecticut

Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Section II - Financial Statement Findings (Continued)

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

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

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

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

Section III - State Financial Assistance Findings and Questioned Costs

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

Town of Lisbon, Connecticut

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2013

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: Repeated with the same finding number.