

Town of Lebanon, Connecticut

State & Federal Compliance Audit

June 30, 2011

Stephen T. Hopkins, CPA, PC

Auditing , Accounting , and Consulting Services

Town of Lebanon, Connecticut

June 30, 2011

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Stephen T. Hopkins, CPA, PC

Auditing, Accounting, and Consulting Services

214 Holmes Road / Scarborough, Maine 04074 / Phone: (207) 885 - 5038 / Fax: (207) 470 - 5050

Independent Auditors' Report

Board of Finance
Board of Selectmen
Town of Lebanon, Connecticut

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Lebanon, Connecticut, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Lebanon, Connecticut's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Information and values for capital assets related to the discretely presented component of the Town have not been included in the accompanying basic financial statements of the Town. The trial balance of the discretely presented component unit included capital assets of \$152,428, accumulated depreciation of \$58,870 and current fiscal year depreciation of \$30,753. These values for capital assets were not included in the accompanying basic financial statements due to the fact that no detailed backup documentation was provided relating to these capital assets. The value and classification of capital assets are required to be recorded in addition to certain disclosures which are also required for the financial information of the discretely presented component unit to be in accordance with accounting principles generally accepted in the United States of America. The recording of these capital assets would have increased the net assets balance of the discretely presented component unit by approximately \$93,558 and total expenditures would have increased by approximately \$30,753.

Management of the Town accounts for teacher's summer salaries and town hall general fund fiscal year ending payrolls on the cash basis of accounting in the general fund and, accordingly have not recorded a liability and corresponding expenditures for these items as of and for the year ended June 30, 2011. Accounting principles generally accepted in the United States of America require the modified accrual basis of accounting to be followed in the preparation of the financial statements. The proper recording of teacher summer salaries would have increased the liabilities and decreased the unassigned fund balance amount of the general fund by approximately \$1,009,129 and total expenditures would have increased by approximately \$10,921. The proper recording of town hall general fund fiscal year ending payroll would have increased the liabilities and decreased the unassigned fund balance amount of the general fund by approximately \$35,491 and total expenditures would have decreased by approximately \$423.

In our opinion, except for the effects of omitting the values and required disclosures relating to the capital assets of the discretely presented component unit as discussed previously, the financial statements referred to previously present fairly, in all material respects, the financial position of the discretely presented component unit of the Town of Lebanon, Connecticut, as of June 30, 2011, and the changes in financial position thereof for the discretely presented component unit for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, except for the effects of accounting for teacher's summer salaries and town hall fiscal year ending payrolls on the cash basis of accounting in the general fund as discussed previously, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund of the Town of Lebanon, Connecticut, as of June 30, 2011, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the town construction projects fund, the capital and non-recurring fund, and the Trumbull investments fund, and the aggregate remaining fund information of the Town of Lebanon, Connecticut, as of June 30, 2011, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2012, on our consideration of the Town of Lebanon, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Lebanon, Connecticut's financial statements as a whole. The combining and individual fund financial statements, and other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the 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 also not a required part of the financial statements. The combining and individual fund financial statements, other supplementary information, the schedule of expenditures of federal awards and the schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Stephen T. Hopkins, CPA, PC

Stephen J. Hopkins, CPA, PC

February 15, 2012

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2011

Our discussion and analysis of the Town of Lebanon, Connecticut's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2011. Please read this analysis in conjunction with the basic financial statements, notes to the basic financial statements, and required supplementary information of the Town. This management discussion and analysis is being presented for the current fiscal year with a focus on the comparative analysis of the information on the governmental activities of the Town as found in the government-wide financial statements.

Financial Highlights - Government-wide financial statements

- The Town's total assets exceeded its total liabilities by \$38,632,835 (net assets) as of the end of the current fiscal year. This compares to the prior fiscal year when total assets exceeded total liabilities by \$38,202,144 as restated. This represents a favorable increase of approximately 1.16%.
- The Town's invested in capital assets, net of related debt net asset balance is used to account for the total capital assets of the Town reduced by the total accumulated depreciation on those assets, reduced by the total outstanding debt incurred to purchase those assets. The total invested in capital assets, net of related debt net asset balance of the Town was \$32,470,721 (84.05% of total net assets) as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$31,181,108 (81.62% of total net assets). This represents an increase of approximately 4.13% which is the result of a decrease in the related debt of \$837,012, current depreciation in the amount of \$1,508,590 and current net capital asset additions in the amount of \$1,961,191. These fixed asset addition were made up in part of \$1,164,125 of infrastructure upgrades and maintenance costs and \$144,337 for the purchase of a new ambulance.
- The Town's restricted net assets are used to account for funds received with constraints imposed by creditors, grantors, contributors, or other rules and regulations as imposed by other governments or enabling legislation. These net assets *cannot* be used to finance the day-to-day activities and operations of the Town. The total restricted net asset balance of the Town was \$3,245,394 (8.39% of total net assets) as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$2,863,951 (7.50% of total net assets) as restated. This represents an increase of approximately 13.32%. This increase is due in large part to an increase in the fair value of restricted investments within the Trumbull investments fund of \$406,617.
- The Town's unrestricted net asset balance is the component of net assets which is used to finance the day-to-day activities and operations without constraints imposed by creditors, grantors, contributors, or other rules and regulations as imposed by other governments or enabling legislation. The total unrestricted net asset balance of the Town was \$2,916,720 (7.56% of total net assets) as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$4,157,085 (10.88% of total net assets) as restated. This represents an unfavorable decrease of approximately 29.58%.
- The Town's total revenues for its governmental activities were \$26,838,462 for the current fiscal. This compares to the prior fiscal year balance of \$26,077,977 as restated. This represents an increase of approximately 2.92% or \$760,485. This is due in large part to the current year net change in the fair market value of investments. The current year change was a positive \$409,236 while the prior year change was only a positive \$89,349. The change in these two balances equaled \$319,887. In addition, property tax revenues increased by \$598,987 due to both a higher annual commitment and a higher then anticipated collection rate.
- The cost of the Town's governmental activities was \$26,407,771 for the current fiscal year. The amount of these costs ultimately financed by general revenues of the Town, however, was only \$15,104,608 due to a portion of these costs being paid for by individuals receiving certain benefits through charges for services in the amount of \$1,869,542, and through operating and capital grants received from the State (state and federal dollars) in the amount of \$9,433,621. This amounts to approximately 57.20% of the cost of these governmental activities actually being financed by the general revenues of the Town. This compares to approximately 55.70% of the cost of the governmental activities of the Town being financed by the general revenues of the town for the prior fiscal year. The individual breakdown of how these charges for services and operating and capital grants where received by department for the current fiscal year is shown on Statement B on page 11.
- The Board of Education and the related programs of the Town received approximately \$1,447,816 in grant dollars from a number of sources including State grant funds and Federal pass-through grant funds to assist in a number of educational programs and projects from the school lunch program to improving basic programs. This balance excludes \$780,040 in federal education stabilization funds received from the state as a supplement to education cost sharing funds. This compares to approximately \$1,099,087 in the prior fiscal year. These revenue amounts represent the amounts recorded by the Town in the fund financial statements. The amounts shown in the government-wide financial statements have been adjusted for unearned amounts which are recorded as deferred revenues on the Statement of net assets.

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2011

Using this annual report

This annual report consists of a series of financial statements. The government-wide financial statements consist of the Statement of net assets and the Statement of activities which are shown on pages 10 and 11 and which provide information about the activities of the Town as a whole and present a longer-view of the Town's finances. The fund financial statements consist of the Balance Sheet and the Statement of revenues, expenditures, and changes in fund balances which are shown on pages 12 and 14 and tell how the services of the Town 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 financial statements by providing information about the Town's most significant funds. Budget to actual information is reported in these fund financial statements for the general fund on pages 16 and 17. The remaining statements on pages 18 and 19 provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of groups outside of the Town. These statements report the fiduciary activities of the Town as they relate to agency funds for which the Town is acting in a purely custodial capacity for student and other groups and for private purpose trust funds when amounts have been given to the Town for specific purposes.

Reporting the Town as a whole

Our analysis of the Town as a whole begins on page 10 with the Statement of net assets. 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 current fiscal years activities?" The statement of net assets and the statement of activities report information about the Town as a whole and about its activities in a way that helps answer this question. The statement of net assets includes all of the non fiduciary assets and liabilities of the Town using the accrual basis of accounting. This basis of accounting is similar to the accounting policies and procedure utilized by most private-sector (for profit) companies. All of the current fiscal year revenues and expenses are taken into account regardless of when cash is received or paid in the statement of activities.

These two statements report the Town's net assets and the changes in these net assets. You can think of these net assets as one way to measure the financial health and financial position of the Town. The net asset balance is made up of the difference between the assets and liabilities of the Town. Over time, increases and decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating. However, you also need to consider other non-financial factors which affect the overall financial health of the Town such as changes in the property tax base, the conditions of the infrastructure of the Town, and the general economy present at the time. These two statements are divided into governmental activities and the discretely presented component unit. The Town's activities are classified solely as governmental activities and are characterized as follows:

- Governmental activities - All of the Town's basic services are reported here, including general government, public safety, public works, health recreation and social services, community preservation, education, and other unclassified programs and activities. Property taxes, charges for services, State and Federal operating and capital grants and other funding, and other miscellaneous revenues finance most of these activities in whole or in part.

Reporting the Town's most significant funds

Our analysis of the Town's major funds begins on page 12 with the Balance sheet. The fund financial statements provide detailed information about the most significant funds of the Town but not a combined picture of the Town as a whole. Some of these funds are required to be established by State law and by bond covenants. In addition, the Board of Finance of the Town has the authority to establish many other funds which it uses to help control and manage funds for particular purposes (such as the community center or recreation commission) or to show that it is meeting legal responsibilities for using certain taxes, grants, or other money (such as the grant revenue received and expended for educational grants). The Town uses governmental funds which are characterized as follows:

- Governmental funds - All 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 fiscal year-end that are available for spending. These funds are reported using a current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting measures cash and all other financial assets that can readily be converted into cash. The governmental fund financial 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 and activities. The relationship between governmental activities and governmental funds is presented in a reconciliation at the bottom of the fund financials.

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2011

The Town as a trustee

Fiduciary fund reporting focuses on net assets and changes in net assets. Fiduciary funds are used by the Town to report assets held in a trustee or agency capacity for other groups and therefore cannot be used to support the Town's own programs. The type of fiduciary funds for which the Town is trustee are private purpose trust funds and agency funds which are characterized as follows:

- The fiduciary funds of the Town consist of private purpose trust funds and agency funds. Private purpose trust funds account for the assets held by the Town in a trustee capacity on behalf of the schools in the form of scholarship funds and on behalf of the library and cemeteries in similar funds. All of the resources of these funds, including any earnings on invested resources, may be used to support their activities. There is no requirement that any portion of these resources be preserved as capital. Agency funds are used to report resources held by the Town in a purely custodial capacity. Agency funds of the Town consist of the student activity accounts located at the Board of Education and funds received from Board of Education retirees to be put toward the payment of health insurance benefits.

The Town as a whole - Assets, liabilities, and net assets

The information provided below represents government-wide information for the governmental activities of the Town for the current fiscal year as compared to the prior fiscal year. As shown below the Town maintains a high current ratio. The current ratio compares the current assets of the Town to its current liabilities and gives an indication of the Town's ability to pay current obligations. As of the end of the current fiscal year the current ratio of the Town was 2.36 to 1 compared to the end of the prior fiscal year when the current ratio was 3.63 to 1. This ratio is considered very strong. Another indication of the Town's ability to meet its current obligations with current assets is called its working capital. This is calculated by subtracting the current liabilities from the current assets. As of the end of the current fiscal year the Town's positive working capital balance was \$3,098,678. This compares to the prior fiscal year positive balance of \$4,369,599.

	Governmental Activities		Percentage of Total	
	2011	2010	2011	2010
Current assets	\$ 5,377,170	\$ 6,031,907	11.77%	13.42%
Other assets	3,475,399	2,634,387	7.63%	5.86%
Capital assets	36,736,534	36,283,933	80.60%	80.72%
	<u>\$ 45,589,103</u>	<u>\$ 44,950,227</u>	<u>100.00%</u>	<u>100.00%</u>
Current and other liabilities	\$ 2,278,492	\$ 1,662,308	42.65%	24.63%
Long-term liabilities outstanding	4,677,776	5,085,775	57.35%	75.37%
	<u>\$ 6,956,268</u>	<u>\$ 6,748,083</u>	<u>100.00%</u>	<u>100.00%</u>
Net assets:				
Invested in capital assets, net of debt	\$ 32,470,721	\$ 31,181,108	84.05%	81.62%
Restricted	3,245,394	2,863,951	8.39%	7.50%
Unrestricted	2,916,720	4,157,085	7.56%	10.88%
	<u>\$ 38,632,835</u>	<u>\$ 38,202,144</u>	<u>100.00%</u>	<u>100.00%</u>
Restricted net assets:				
Expendable:				
Restricted investment funds	\$ 1,850,212	\$ 1,443,595		
Restricted donation funds	270,954	266,855		
Enabling legislation funds	43,698	36,966		
Educational activity and program funds	139,668	125,029		
Community development projects	585,971	640,015		
	<u>2,890,503</u>	<u>2,512,460</u>		
Non-expendable:				
Non-USDA inventory	7,353	8,208		
Prepaid expenses	25,268	21,013		
Principal balance of permanent funds	322,270	322,270		
	<u>354,891</u>	<u>351,491</u>		
	<u>\$ 3,245,394</u>	<u>\$ 2,863,951</u>		

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2011

The Town as a whole - Revenues, expenses, and changes in net assets

The information provided below represents government-wide information for the governmental activities of the Town for the current fiscal year as compared to the prior fiscal year. The revenues and expenses shown below are recorded on the accrual basis of accounting. Program revenues received by the Town specifically relating to or generated by individual departments are applied to the departmental expenditures to determine the amount and percentage of total Town expenditures actually financed by the general revenues of the Town. This amount and percentage is shown at the bottom of this schedule and should be used to give the reader an indication of how the Town's activities were financed during the current fiscal year in comparison to the prior fiscal year. The comparison of expenses shown below indicates that the general make-up of the Town's spending by department as a percentage of total spending was consistent for the current fiscal year in comparison to the prior fiscal year.

	Governmental Activities		Percentage of Total	
	2011	2010	2011	2010
Program revenues				
Charges for services	\$ 1,869,542	\$ 2,084,863	6.97%	7.99%
Operating grants	8,882,079	8,953,671	33.09%	34.33%
Capital grants	551,542	299,530	2.06%	1.15%
General revenues				
Property taxes, interest, and liens	14,658,278	14,059,291	54.62%	53.91%
State property tax relief revenues	90,925	80,909	0.34%	0.31%
Other unclassified state revenues	-	-	-	-
Net change in the fair value of investments	409,236	89,349	1.53%	0.34%
Interest and dividends	74,768	67,357	0.28%	0.26%
Miscellaneous	302,092	443,007	1.11%	1.71%
Total revenues	<u>26,838,462</u>	<u>26,077,977</u>	<u>100.00%</u>	<u>100.00%</u>
Expenses				
General government	817,509	814,338	3.10%	3.18%
Public safety	494,307	586,081	1.87%	2.29%
Public works	1,213,025	1,131,226	4.59%	4.42%
Health & social	717,365	754,487	2.68%	2.97%
Community preservation	193,426	217,433	0.73%	0.85%
Education	20,406,902	19,384,581	77.32%	75.72%
Education - on behalf	1,360,318	1,328,591	5.15%	5.19%
Unclassified and program	518,898	747,429	1.96%	2.92%
Capital outlay	-	-	-	-
Depreciation	431,963	394,837	1.63%	1.54%
Debt service:				
Interest	190,837	236,444	0.97%	0.92%
Loss on disposal of fixed assets	63,221	-	-	-
Total expenses	<u>26,407,771</u>	<u>25,595,447</u>	<u>100.00%</u>	<u>100.00%</u>
Change in net assets	430,691	482,530		
Net assets - July 1	<u>38,202,144</u>	<u>37,719,614</u>		
Net assets - June 30	<u>\$ 38,632,835</u>	<u>\$ 38,202,144</u>		
Expenses financed by general revenues:				
Total expenses	\$ 26,407,771	\$ 25,595,447		
Less charges for services	-1,869,542	-2,084,863		
Less operating grants and contributions	-8,882,079	-8,953,671		
Less capital grants and contributions	-551,542	-299,530		
	<u>\$ 15,104,608</u>	<u>\$ 14,257,383</u>	<u>57.20%</u>	<u>55.70%</u>

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2011

Capital assets

The capital assets of the Town include land, land improvements, buildings, building improvements, vehicles, equipment, and infrastructure assets that are used in the operations of the Town and that have an initial useful life extending beyond a single fiscal year. Infrastructure assets are long-lived capital assets that are normally stationary in nature and can normally be preserved for a significantly greater number of years than most capital assets. The types of infrastructure assets recorded by the Town include but are not limited to improved town roads, unimproved town roads, and bridges. The infrastructure assets shown below include the current and prior fiscal year expenses of the Town for improvements to roads within the Town recorded at their actual historical cost or estimated historical cost when the actual costs were not available. More detailed information on the capital assets of the Town can be found in note 1L on page 25 and note 5 on page 32.

	Governmental Activities		Percentage of total	
	2011	2010	2011	2010
Land and improvements	\$ 1,896,289	\$ 1,896,289	2.77%	2.85%
Buildings and improvements	35,767,406	35,767,406	52.33%	53.83%
Vehicles	3,600,939	3,446,477	5.27%	5.19%
Equipment	720,208	694,486	1.05%	1.04%
Infrastructure	25,802,849	24,005,051	37.75%	36.13%
Construction in progress	564,655	633,673	0.83%	0.96%
Total historical value	<u>68,352,346</u>	<u>66,443,382</u>	<u>100.00%</u>	<u>100.00%</u>
Less accumulated depreciation	<u>-31,615,812</u>	<u>-30,159,449</u>		
Total capital assets (net)	<u>\$ 36,736,534</u>	<u>\$ 36,283,933</u>		

Debt administration

The debt of the town includes long-term bonds and notes payable in addition to accrued compensated absences (accumulated vacation and sick time) and accrued landfill post-closure care costs. All long-term debt is incurred through the approval of the inhabitants of the Town in accordance with applicable state statutes. The comparison of the outstanding debt shown below indicates that the general make-up of the Town's different types of debt as a percentage of total debt was consistent for the current fiscal year in comparison to the prior fiscal year. The portion due within one year for bonds and notes payable decreased by approximately 23.73% as a result of the variations between payment schedules and more specifically due to one of the outstanding bonds which was fully paid off during the current fiscal year for which the current portion due in the prior fiscal year was \$200,000 and for which there is no longer a current portion due. This decrease is simply based on the bonds amortization payment schedule. The portion due after one year decreased by approximately 14.96% as a result of the annual payments made on the individual bonds and notes payable. More detailed information on the debt of the Town can be found in note 6 starting on page 33.

	Governmental Activities		Percentage of total	
	2011	2010	2011	2010
Bonds and notes payable:				
Portion due within one year	\$ 638,395	\$ 837,012	14.30%	15.72%
Portion due after one year	3,627,418	4,265,813	81.27%	80.14%
Accrued compensated absences - school	67,122	77,619	1.50%	1.46%
Accrued compensated absences - town	29,705	30,312	0.67%	0.57%
Accrued landfill post-closure costs	100,631	112,131	2.26%	2.11%
Total debt	<u>\$ 4,463,271</u>	<u>\$ 5,322,887</u>	<u>100.00%</u>	<u>100.00%</u>

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2011

The previous sections of this management discussion and analysis have been presented for the current fiscal year with a focus on the comparative analysis of the information on the governmental activities of the Town as found in the government-wide financial statements. Comparative financial information has not been included for the fund financial statements of the Town. The following financial highlights, however, do relate to the balances and results of the activities of the Town's individual funds as found in its fund financial statements. Detailed current year information on the Town's individual funds can be found on the Balance sheet on page 12 and the Statement of revenues, expenditures, and changes in fund balances on page 14.

Financial highlights - Fund financial statements

- The total assets of the Town's governmental funds exceeded the total liabilities by \$6,883,783 which represents the fund balance of these funds as of the end of the current fiscal year. This compares to the prior fiscal year when total assets exceeded total liabilities by \$7,187,536 as restated, an unfavorable decrease of approximately 4.07% or \$303,753. This unfavorable decrease is due mostly to the net results of the town's general fund. The general fund of the Town transferred a loan of \$400,000 of its unassigned fund balance to the Amston Lake sewer project fund, \$220,000 to the capital non-recurring fund and \$365,821 to the Board of Education expenditure line to cover over-expended amounts. This \$985,821 approved to be used from the unassigned general fund balance is in effect the approval for a loss since prior fiscal year balances cannot be recognized as current year revenues. These decreases and other fund changes can be seen by reviewing Statement D on page 14 and the corresponding combining schedules and sub-schedules as shown in the table of contents.
- The total revenues of the Town's governmental funds were \$27,163,235 for the current fiscal year in comparison to \$26,554,307 in the prior fiscal year. This represents an increase of approximately 2.23% or \$608,928. This is due in large part to the current year net change in the fair market value of investments. The current year change was a positive \$409,236 while the prior year change was only a positive \$89,349. The change in these two balances equaled \$319,887. In addition, property tax revenues increased by \$616,859 due to both a higher annual commitment and a higher than anticipated collection rate.
- The total expenditures of the Town's governmental funds were \$27,466,988 for the current fiscal year in comparison to \$26,026,856 in the prior fiscal year. This represents an increase of approximately 5.49% or \$1,440,132. This increase is made up a number of increases and decrease within the funds of the Town. The town construction fund increased its expenditures by \$370,251 due to the start of the Amston Lake sewer project. The non-major capital project fund increased its expenditures by \$344,020 due in part to a new DOT fix it first grant. In addition, the education expenditures within the general fund increased by \$741,551 as a result of a higher budget and higher incurred expenditures.
- The net change in fund balance (excess or deficiency of revenues over-under expenditures) for the Town's general fund was a negative \$669,731 for the current fiscal year in comparison to a positive \$56,645 for the prior fiscal year. This represents an unfavorable decrease of over 1,100% and relates in part to the following selected budgetary highlights from the current and prior fiscal year.
- The actual revenues received in the Town's general fund were \$4,684 lower than the budget revenues for the current fiscal year which is an unfavorable variance in comparison to \$167,322 lower for the prior fiscal year which was also an unfavorable variance. During the current fiscal year the actual school tuition revenue received was \$37,194 lower than the budgeted amount in comparison to \$193,156 lower for the prior fiscal year. The actual revenue amounts received from the State for education cost sharing and other related revenues were \$61,037 lower than the budgeted amount in comparison to \$36,314 lower for the prior fiscal year. In addition, during the current fiscal year the amount recorded for property tax, interest and liens was \$121,886 higher than the budgeted amount in comparison to \$133,706 higher for the prior fiscal year.
- The actual program expenditures in the Town's general fund were \$319,776 lower than the adjusted budgeted expenditures for the current fiscal year which is a favorable variance in comparison to \$279,039 lower than the budgeted expenditures for the prior fiscal year which was also a favorable variance. This current fiscal year under expenditure can be attributed in large part to the board of education which was \$34,391 under the adjusted budget, the medical life insurance account which was \$66,484 under the original budget, the contingency account line item which was \$98,173 under the original budget and the water pollution control authority departmental operating budget which was \$42,898 under the original budget.
- In the current fiscal year, the inhabitants of the Town approved the use of \$985,821 of its unassigned general fund balance as appropriations to be transferred as a loan to the Amston Lake sewer project in the amount of \$400,000, the capital and non-recurring fund in the amount of \$220,000 and to fund the over-expenditure within the Board of Education expenditure line in the general fund in the amount of \$365,821. This in effect is the same as budgeting for a loss due to the fact that prior year accumulated balances cannot be shown as current year revenues. In the prior fiscal year, the inhabitants of the Town approved the use of \$60,000 of its undesignated fund balance in this same manner.

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2011

Discretely presented "component unit"

The financial reporting entity consists of the primary government and its component units, organizations for which the primary government is financially accountable or 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. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of the primary government. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

The Town has determined that the Lebanon Volunteer Fire Department meets the definition of a component unit due to its fiscal dependence on the Town and the nature and significance of their relationship. For a legally separate entity to be considered fiscally independent it must, among other things, have the authority to determine its budget without the primary government having the authority to approve and modify that budget. The Town approves a certain amount of money on an annual basis to be appropriated to the Department to fund a portion of its operations. During the current fiscal year this amount was appropriated for the fire fighting operations of the Department. Although this amount was labeled as being appropriated for the fire fighting operations of the Department, once the amount has been received it may be physically used for any purpose the Department deems necessary for its operations as a whole. Though the Town does not directly have the authority to approve or modify the budget of the Department, it does indirectly do this by deciding the amount that it will or will not appropriate on an annual basis. In addition, the fire safety complex, fire trucks and ambulances used by the Department are purchased by the Town. This also creates a level of fiscal dependence due to the fact that the Department could not function in its current capacity without this assistance. In addition to the level of fiscal dependence between the Town and the Department, the nature and significance of the relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. This component unit has been treated as a discretely presented component unit in accordance with the provisions of GASB Statement No. 14 as amended by Statement No. 39. The financial information of the Department has been included in the government-wide statement of net assets and statement of activities.

Economic factors and next year's budgets and rates

The Town believes it has steadily maintained a sufficient unrestricted net asset and unassigned fund balance to sustain the governmental activities and operations for an estimated two month period of time. The Town sees this trend continuing through future fiscal years. There are no currently known facts, decisions or conditions that the Town believes will significantly effect the financial position or results of the operations of the Town in the future.

Contacting the Town's financial management

This financial report is designed to provide a general overview of the Town's finances, comply with finance-related laws and regulations, and demonstrate the Town's commitment to public accountability. If you have questions about this report or need additional financial information, contact the Town Finance Department at 579 Exeter Road, Lebanon, Connecticut 06249.

Town of Lebanon, Connecticut
Statement of net assets
June 30, 2011

	Governmental activities	Component unit
Assets:		
Current assets:		
Cash	\$ 2,403,110	\$ 197,460
Investments	2,406,319	315,428
Accounts receivable	518,876	-
Tax acquired property	6,428	-
Inventories	17,169	-
Prepaid items	25,268	-
Total current assets	5,377,170	512,888
Capital assets		
Non-depreciable	2,460,944	-
Depreciable (net)	34,275,590	-
Total capital assets	36,736,534	-
Other assets		
Restricted cash	929,367	-
Restricted investments	1,875,193	-
Long-term accounts receivable	97,144	-
Notes receivable	573,695	-
Total other assets	3,475,399	-
Total Assets	\$ 45,589,103	\$ 512,888
Liabilities:		
Accounts payable	\$ 653,205	\$ 18,861
Accrued payroll	34,500	-
Other liabilities	61,714	-
Deferred revenues	890,678	-
Long-term debt		
Portion due within one year	638,395	-
Portion due after one year	3,627,418	-
Accrued compensated absences	96,827	-
Accrued landfill post closure care cost	100,631	-
Other post-employment benefit liability	852,900	-
Total liabilities	6,956,268	18,861
Net assets:		
Invested in capital assets, net of related debt	32,470,721	-
Restricted		
Expendable	2,890,503	-
Non-expendable	354,891	-
Unrestricted	2,916,720	494,027
Total net assets	38,632,835	494,027
Total liabilities and net assets	\$ 45,589,103	\$ 512,888

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Balance sheet - Governmental funds
June 30, 2011

Assets	General fund	Town construction projects	Capital & nonrecurring fund	Trumbull investments fund	Non-major governmental funds	Totals
Cash	\$ 1,865,872	\$ -	\$ -	\$ -	\$ 1,466,605	\$ 3,332,477
Investments	2,406,319	-	-	1,850,212	24,981	4,281,512
Receivables (net of allowance)						
Property taxes	419,123	-	-	-	13,548	432,671
Intergovernmental	-	-	-	-	22,793	22,793
Other	50,460	-	2,521	-	10,431	63,412
Notes receivable	-	-	-	-	573,695	573,695
Tax acquired property	6,428	-	-	-	-	6,428
Inventories	-	-	-	-	17,169	17,169
Prepaid items	23,561	-	-	-	1,707	25,268
Due from other funds	1,736,172	58,768	799,050	-	762,864	3,356,854
Total assets	<u>\$ 6,507,935</u>	<u>\$ 58,768</u>	<u>\$ 801,571</u>	<u>\$ 1,850,212</u>	<u>\$ 2,893,793</u>	<u>\$ 12,112,279</u>
 Liabilities and fund balances						
Liabilities						
Accounts payable	\$ 575,264	\$ 32,482	\$ 22,092	\$ -	\$ 23,367	\$ 653,205
Accrued payroll	22,382	-	-	-	12,118	34,500
Other liabilities	61,714	-	-	-	-	61,714
Deferred property tax revenues	1,094,991	-	-	-	13,548	1,108,539
Deferred other revenues	2,307	-	-	-	11,377	13,684
Due to other funds	1,606,687	772,080	-	-	978,087	3,356,854
Total liabilities	<u>3,363,345</u>	<u>804,562</u>	<u>22,092</u>	<u>-</u>	<u>1,038,497</u>	<u>5,228,496</u>
 Fund balances:						
Nonspendable	23,561	-	-	-	331,330	354,891
Restricted	-	-	-	1,850,212	1,173,540	3,023,752
Committed	-	26,286	779,479	-	344,852	1,150,617
Assigned	-	-	-	-	107,100	107,100
Unassigned	3,121,029	-772,080	-	-	-101,526	2,247,423
Total fund balances	<u>3,144,590</u>	<u>-745,794</u>	<u>779,479</u>	<u>1,850,212</u>	<u>1,855,296</u>	<u>6,883,783</u>
Total liabilities and fund balances	<u>\$ 6,507,935</u>	<u>\$ 58,768</u>	<u>\$ 801,571</u>	<u>\$ 1,850,212</u>	<u>\$ 2,893,793</u>	<u>\$ 12,112,279</u>

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Reconciliation of Statement C to Statement A
for all governmental funds and activities
June 30, 2011

Fund balances of governmental funds as shown on Statement C \$ 6,883,783

Amounts reported for governmental activities in the government-wide financial statements (Statement A) are different than the amounts reported in the fund financial statements (Statement C) and must therefore be modified as follows:

1	Capital assets used in governmental activities are not financial resources and therefore are not reported on Statement C however they are reported on Statement A and therefore must be added back in:		
	Cost	68,352,346	
	Less accumulated depreciation	<u>-31,615,812</u>	36,736,534
2	The majority of the property tax receivable long-term asset is not available to pay for current period expenditures and therefore it is reported as deferred revenue on Statement C however this amount is considered earned when billed and in turn recorded as revenue on Statement A and therefore must be added back in:		363,512
3	Certain state and federal grant revenues received by the Town are recorded as revenue when the amounts are available and measurable in accordance with the modified accrual basis of accounting. In addition, Codification of Governmental Accounting and Financial Reporting Standards section 1600.114 states that in regard to the modified accrual basis of accounting, material revenues received prior to the normal time of receipt should be recorded as deferred revenue. The Town defers all revenues that are received prior to their normal period of receipt. The government-wide financial statements record revenues on the accrual basis of accounting when they have been earned and therefore these revenue amounts are deferred on Statement A and therefore must be subtracted out:		-131,967
4	Inter fund receivable and payable balances between governmental funds are reported on Statement C but eliminated on the Statement A:		
	Inter fund receivables	3,356,854	
	Inter fund payables	<u>-3,356,854</u>	-
5	Long-term liabilities, are not due and payable in the current period and therefore are not reported on Statement C however they are reported on Statement A and must therefore be subtracted out:		
	Other post-employment benefits liability	-852,900	
	Bonds and notes payable	-4,265,813	
	Accrued compensated balances	-96,827	
	Estimated liability for post closure landfill care	<u>-100,631</u>	-5,316,171
6	Delinquent interest and lien fees are recorded as revenue when received and when they become available and measurable however these amounts are recorded on Statement A due to the fact that the amounts are viewed to have been earned and therefore they must be added back in:		<u>97,144</u>
	Net assets of governmental activities as shown on Statement A		<u><u>\$ 38,632,835</u></u>

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Statement of revenues, expenditures, and changes in fund balances - Governmental funds
For the year ended June 30, 2011

	General fund	Town construction projects	Capital & nonrecurring fund	Trumbull investment funds	Non-major governmental funds	Totals
Revenues						
Property taxes, interest, and liens	\$ 14,320,970	\$ -	\$ -	\$ -	\$ 390,444	\$ 14,711,414
Intergovernmental - education	5,976,416	-	-	-	1,447,816	7,424,232
Intergovernmental - on behalf	1,360,318	-	-	-	-	1,360,318
Intergovernmental - tax relief	90,925	-	-	-	-	90,925
Intergovernmental - other	147,808	-	19,250	-	754,048	921,106
Tuition	1,250,453	-	-	-	-	1,250,453
Charges for services	277,231	-	-	-	341,858	619,089
Net change in investment fair value	-	-	-	406,812	2,424	409,236
Interest and dividends	14,421	-	1,380	52,721	6,246	74,768
Miscellaneous	58,643	-	37,614	-	205,437	301,694
Total revenues	23,497,185	-	58,244	459,533	3,148,273	27,163,235
Expenditures						
Current:						
General government	783,556	-	-	-	34,407	817,963
Public safety	342,158	-	-	-	7,456	349,614
Public works	1,020,032	-	41,715	-	97,898	1,159,645
Health & social	157,225	-	4,206	-	494,280	655,711
Community preservation	134,624	-	15,500	-	43,302	193,426
Education	17,586,950	3,934	28,977	-	1,766,473	19,386,334
Education - on behalf	1,360,318	-	-	-	-	1,360,318
Unclassified and program	408,893	-	4,050	195	104,300	517,438
Capital outlay	-	385,355	1,059,253	-	554,082	1,998,690
Debt service:						
Principle	837,012	-	-	-	-	837,012
Interest	190,837	-	-	-	-	190,837
Total expenditures	22,821,605	389,289	1,153,701	195	3,102,198	27,466,988
Excess (deficiency) of revenues over (under) expenditures	675,580	-389,289	-1,095,457	459,338	46,075	-303,753
Other financing sources (uses)						
Transfers in	998	400,000	994,108	-	57,367	1,452,473
Transfers out	-1,346,309	-	-	-52,721	-53,443	-1,452,473
Total other financing sources (uses)	-1,345,311	400,000	994,108	-52,721	3,924	-
Net change in fund balance	-669,731	10,711	-101,349	406,617	49,999	-303,753
Fund balances - July 1	3,814,321	-756,505	880,828	1,443,595	1,890,726	7,272,965
Prior period adjustment	-	-	-	-	-85,429	-85,429
Fund balances - July 1 - restated	3,814,321	-756,505	880,828	1,443,595	1,805,297	7,187,536
Fund balances - June 30	\$ 3,144,590	\$ -745,794	\$ 779,479	\$ 1,850,212	\$ 1,855,296	\$ 6,883,783

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Reconciliation of Statement D to Statement B
for all governmental funds and activities
June 30, 2011

Net changes in governmental fund balances as shown on Statement D		\$ -303,753
<p>Amounts recorded for governmental activities in the government-wide financial statements (Statement B) are different than the amounts reported in the fund financial statements (Statement D) and therefore must be modified as follows:</p>		
<p>1 Capital asset purchases are recorded as expenditures in Statement D and are capitalized and shown as depreciation expense over their estimated useful lives in Statement B. Therefore the following adjustments must be made:</p>		
Current year capital asset purchases to be capitalized	2,024,412	
Current year loss on the disposal of fixed assets	-63,221	
Current year depreciation expense on current and previous capital assets	-1,508,590	452,601
<p>2 Property tax revenues are recognized on Statement D as described in note 1H of the notes to the financial statements however property tax revenues are recorded in the full amount of the annual levy in Statement B and therefore the current year adjustment described in note 1H must be added back in or subtracted back out:</p>		
		-50,174
<p>3 The basis of presentation and revenue recognition is different from the government-wide financial statements shown on Statement B and the fund financial statements shown on Statement D. This difference in revenue recognition policies results in certain revenue amount being recorded in Statement B and deferred in Statement D.</p>		
Prior year deferred revenue amounts to be recognized	130,322	
Current year revenue amounts to be deferred	-131,967	-1,645
<p>4 Inter fund transfers between governmental funds are reported on Statement D but must be eliminated on Statement B:</p>		
Transfers in	1,452,473	
Transfers out	-1,452,473	-
<p>5 Payments on and changes in long-term liabilities are recorded as current year activities on Statement D however they are shown as a reduction in an already established liability account on in the government-wide financial statements and therefore must not be shown as current year activity:</p>		
Other post-employment benefits liability	-253,000	
Bonds and notes payable	837,012	
Accrued compensated balances	11,104	
Estimated liability for post closure landfill care	11,500	606,616
<p>6 Estimated accounts receivable for State long-term liability reimbursements and delinquent interest and lien fees are recorded as revenue when received on Statement D and as a reduction in a recorded receivable on the government-wide financial statements and therefore must not be shown as current year activity:</p>		
Long-term account receivable due from the State for long-term liability reimbursement		
Prior year recorded balance	-269,992	
Current year recorded balance	-	
Prior year recorded delinquent interest and lien receivable balance	-100,106	
Current year recorded delinquent interest and lien receivable balance	97,144	-272,954
Change in net assets of governmental activities as shown on Statement B		\$ 430,691

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Statement of revenues, expenditures, and changes in fund balance
Budget and actual (Budgetary basis) - General fund
For the year ended June 30, 2011

	Original budget	Budget revisions	Final budget	Actual	Variance
Revenues					
Property tax revenues, interest and liens	\$ 14,583,984	\$ -	\$ 14,583,984	\$ 14,705,870	\$ 121,886
Intergovernmental - education	6,037,453	-	6,037,453	5,976,416	-61,037
Intergovernmental - tax relief	93,208	-	93,208	90,925	-2,283
Intergovernmental - other	191,559	-	191,559	147,808	-43,751
Tuition	1,287,647	-	1,287,647	1,250,453	-37,194
Charges for services	264,500	-	264,500	277,231	12,731
Interest and dividends	10,000	-	10,000	14,421	4,421
Miscellaneous	58,100	-	58,100	58,643	543
Total revenues	<u>22,526,451</u>	<u>-</u>	<u>22,526,451</u>	<u>22,521,767</u>	<u>-4,684</u>
Expenditures					
General government:					
Legal counsel	25,000	-	25,000	28,151	-3,151
Selectmen	114,250	-	114,250	120,615	-6,365
Elections	30,000	-	30,000	30,609	-609
Probate court	2,322	-	2,322	2,303	19
Board of finance	2,000	-	2,000	1,120	880
Finance office	78,819	26,671	105,490	105,586	-96
Tax collector	63,865	-	63,865	59,159	4,706
Board of appeals	1,000	-	1,000	891	109
Town clerk	85,980	-	85,980	85,736	244
Assessor	66,802	-	66,802	65,172	1,630
Auditor	12,350	11,595	23,945	23,850	95
Town report	1,200	-	1,200	795	405
Computer service	77,190	-	77,190	71,110	6,080
Town hall	52,750	-	52,750	51,112	1,638
Insurance	155,960	-	155,960	137,347	18,613
	<u>769,488</u>	<u>38,266</u>	<u>807,754</u>	<u>783,556</u>	<u>24,198</u>
Public safety:					
Police services	188,000	-	188,000	178,658	9,342
Lebanon volunteer fire department	90,000	-	90,000	90,000	-
Fire marshall	16,100	-	16,100	15,836	264
Burning official	2,300	-	2,300	2,193	107
Building department	23,202	-	23,202	22,970	232
Fire safety complex	31,100	-	31,100	32,451	-1,351
Tree warden	175	-	175	50	125
	<u>350,877</u>	<u>-</u>	<u>350,877</u>	<u>342,158</u>	<u>8,719</u>
Public works:					
Department of public works	606,686	-	606,686	605,109	1,577
Buildings and grounds	96,550	-	96,550	91,858	4,692
Snow removal	135,000	13,561	148,561	148,561	-
Street lights	1,000	-	1,000	782	218
Solid waste facility	195,000	-	195,000	159,936	35,064
Cemetery commission	12,506	-	12,506	12,484	22
Water pollution control	44,200	-	44,200	1,302	42,898
	<u>1,090,942</u>	<u>13,561</u>	<u>1,104,503</u>	<u>1,020,032</u>	<u>84,471</u>
Health & social:					
Officer and inspection	15,280	-	15,280	12,242	3,038
Public health nurse	1,000	-	1,000	1,000	-
Human services	18,000	-	18,000	16,061	1,939
Paramedic program	30,952	-	30,952	30,952	-

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Statement of revenues, expenditures, and changes in fund balance
Budget and actual (Budgetary basis) - General fund
For the year ended June 30, 2011

	Original budget	Budget revisions	Final budget	Actual	Variance
Health & social (continued):					
United services	\$ 4,835	\$ -	\$ 4,835	\$ 4,000	\$ 835
Switch board	41,248	-	41,248	41,248	-
Special events	1,750	-	1,750	393	1,357
Commission on aging	11,610	-	11,610	10,618	992
Senior center operations	41,500	-	41,500	40,711	789
	<u>166,175</u>	<u>-</u>	<u>166,175</u>	<u>157,225</u>	<u>8,950</u>
Community preservation:					
Planning and zoning	131,695	-	131,695	129,662	2,033
Zoning board of appeals	4,760	-	4,760	1,572	3,188
Economic development commission	2,000	-	2,000	1,183	817
Flood and erosion	20	-	20	-	20
Inland wetlands	2,000	-	2,000	1,957	43
Conservation committee	250	-	250	250	-
	<u>140,725</u>	<u>-</u>	<u>140,725</u>	<u>134,624</u>	<u>6,101</u>
Education					
Town appropriation	16,475,480	365,821	16,841,301	16,806,910	34,391
ARRA stabilization funds	780,040	-	780,040	780,040	-
	<u>17,255,520</u>	<u>365,821</u>	<u>17,621,341</u>	<u>17,586,950</u>	<u>34,391</u>
Unclassified and program:					
Social security	87,165	-	87,165	85,398	1,767
Medical life insurance	286,400	-	286,400	219,916	66,484
Pension plan	75,100	-	75,100	98,185	-23,085
Unemployment compensation	15,000	-	15,000	5,394	9,606
Contingency	150,000	-51,827	98,173	-	98,173
	<u>613,665</u>	<u>-51,827</u>	<u>561,838</u>	<u>408,893</u>	<u>152,945</u>
Debt service:					
Principal	837,013	-	837,013	837,012	1
Interest	190,837	-	190,837	190,837	-
	<u>1,027,850</u>	<u>-</u>	<u>1,027,850</u>	<u>1,027,849</u>	<u>1</u>
Total expenditures	<u>21,415,242</u>	<u>365,821</u>	<u>21,781,063</u>	<u>21,461,287</u>	<u>319,776</u>
Excess of revenues over (under) expenditures	<u>1,111,209</u>	<u>-365,821</u>	<u>745,388</u>	<u>1,060,480</u>	<u>315,092</u>
Other financing sources (uses)					
Utilization of unassigned fund balance					
Temporary inter fund loan - see note 4B	-	400,000	400,000	-	-400,000
Operating and budgetary transfers	-	585,821	585,821	-	-585,821
Transfers in	-	-	-	998	998
Transfers out	-1,111,209	-620,000	-1,731,209	-1,731,209	-
Total other financing sources (uses)	<u>-1,111,209</u>	<u>365,821</u>	<u>-745,388</u>	<u>-1,730,211</u>	<u>-984,823</u>
Net change in fund balance	-	-	-	-669,731	-669,731
Non-budgeted State on behalf revenue				1,360,318	
Non-budgeted State on behalf expenditure				-1,360,318	
Fund Balance - July 1				<u>3,814,321</u>	
Fund Balance - June 30				<u><u>\$ 3,144,590</u></u>	

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Statement of fiduciary net assets
Fiduciary funds
June 30, 2011

Assets	Private purpose trusts	Agency funds	Total
	<u> </u>	<u> </u>	<u> </u>
Cash	\$ 12,186	\$ 122,938	\$ 135,124
Investments	72,006	25,516	97,522
Accounts and other receivables	-	-	-
Inventories and prepaid items	-	-	-
Due from other funds	-	-	-
Total assets	<u>\$ 84,192</u>	<u>\$ 148,454</u>	<u>\$ 232,646</u>
Liabilities and Net Assets			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Deferred revenue	-	-	-
Due to other funds	-	-	-
Due to student groups	-	127,196	127,196
Due to other groups	-	21,258	21,258
Total liabilities	<u>-</u>	<u>148,454</u>	<u>148,454</u>
Net Assets			
Restricted			
Expendable	84,192	-	84,192
Non-expendable	-	-	-
Unrestricted	-	-	-
Total net assets	<u>84,192</u>	<u>-</u>	<u>84,192</u>
Total liabilities and net assets	<u>\$ 84,192</u>	<u>\$ 148,454</u>	<u>\$ 232,646</u>

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Statement of changes in fiduciary net assets -
Fiduciary funds
For the year ended June 30, 2011

	Private purpose trusts
	<u> </u>
Additions	
Property tax revenues	\$ -
Intergovernmental revenues	-
Interest and dividends	479
Net change in investment fair value	-
Miscellaneous	-
Total additions	<u>479</u>
Deductions	
Salary and wages	-
Program operating costs	1,716
Capital expenditures	-
Total deductions	<u>1,716</u>
Change in net assets	<u>-1,237</u>
Net assets - July 1	-
Prior period adjustment	<u>85,429</u>
Net assets - July 1 - restated	<u>85,429</u>
Net assets - June 30	<u><u>\$ 84,192</u></u>

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2011

The Town of Lebanon, Connecticut (the Town) is located in the central section of Connecticut. The Town is a municipal corporation which is governed by an elected Board of Selectmen and Board of Finance.

Note 1 - Summary of significant accounting policies

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting. Private sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict pronouncements of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The Town, however, does not currently have any business-type activities or enterprise funds. The basic financial statements of the Town consist of government-wide financial statements and fund financial statements. The basis of presentation, measurement focus, and basis of accounting differ for these two types of financial statements and are described separately in Section B and C below. The other following sections represent a summary of the significant accounting policies as applied by the Town.

A. Reporting entity

The financial reporting entity consists of the primary government and its component units, organizations for which the primary government is financially accountable or 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. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of the primary government. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

The Town has determined that the Lebanon Volunteer Fire Department meets the definition of a component unit due to its fiscal dependence on the Town and the nature and significance of their relationship. For a legally separate entity to be considered fiscally independent it must, among other things, have the authority to determine its budget without the primary government having the authority to approve and modify that budget. The Town approves a certain amount of money on an annual basis to be appropriated to the Department to fund a portion of its operations. During the current fiscal year this amount was appropriated for the fire fighting operations of the Department. Although this amount was labeled as being appropriated for the fire fighting operations of the Department, once the amount has been received it may be physically used for any purpose the Department deems necessary for its operations as a whole. Though the Town does not directly have the authority to approve or modify the budget of the Department, it does indirectly do this by deciding the amount that it will or will not appropriate on an annual basis. In addition, the fire safety complex, fire trucks and ambulances used by the Department are purchased by the Town. This also creates a level of fiscal dependence due to the fact that the Department could not function in its current capacity without this assistance. In addition to the level of fiscal dependence between the Town and the Department, the nature and significance of the relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. This component unit has been treated as a discretely presented component unit in accordance with the provisions of GASB Statement No. 14 as amended by Statement No. 39. The financial information of the Department has been included in the government-wide statement of net assets and statement of activities.

The Department also provides ambulance services for which it receives ambulance billing revenue. This revenue is classified as "charges for services" revenue in the financial statements. This revenue is used by the Department to fund its ambulance services. A portion of this ambulance billing revenue is associated with ALS services for which the Town presently has an agreement with and pays Windham Hospital Paramedics. The Department is of the belief that the portion of their ambulance billing revenue that relates to these ALS services should be returned to the Town. The Department returned \$24,502 to the Town during the current fiscal year. This amount is shown as a miscellaneous revenue item within the capital and non-recurring fund of the primary government and as an expenditure within discretely presented component unit. The Department also receives memorial and trust funds as designated by the individual donor. These funds are shown as part of the general operating fund of the Department as part of the discretely presented component unit. The Hinckley and Bender memorial funds have been internally designated by the Department to be used for items associated with the fire safety complex addition. The memorial fund trust is to be used for memorial type activities.

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2011

B. Government-wide financial statements

1. Basis of presentation

The government-wide financial statements consist of a statement of net assets and a statement of activities. These statements report information about the Town as a whole without displaying individual funds or fund types. These statements distinguish between the primary government and the discretely presented component unit as well as the governmental and business type activities of the Town. These statements do not include information about the fiduciary activities and funds of the Town or component units which are fiduciary in nature. Fiduciary activities and funds report assets which are held by the Town in a trustee or agency capacity and which cannot be used to support the activities and programs of the Town.

The statement of net assets presents the financial position of the governmental and business type activities of the primary government of the Town and the discretely presented component unit at the end of the fiscal year. This statement reports the assets, liabilities, and net assets of the Town. The assets and liabilities are presented in the order of their relative liquidity. The liquidity of assets is determined by how readily they are expected to be converted into cash and whether there are restrictions in place limiting their use by the Town. The liquidity of liabilities is determined by their maturity or by when cash will be used to liquidate them. The net asset balance of the Town consists of the invested in capital assets (net of accumulated depreciation and reduced by the total outstanding debt incurred to purchase the assets), restricted and unrestricted amounts. Restricted net assets are present when constraints are imposed externally by creditors, grantors, contributors, other governments, or by law through constitutional provisions or enabling legislation. Unrestricted net assets consist of all net assets balances not meeting the definition of invested in capital assets or restricted. Internal balances between individual funds within the governmental and business type activities are eliminated in this statement to minimize the "grossing-up" of assets and liabilities. These internal balances are also known as inter-fund receivables and payables and are shown in the fund financial statements as due to and due from other funds. Any residual amounts due between the governmental and business type activities of the Town would be shown as an internal balance and disclosed separately.

The statement of activities presents the operations of the governmental and business type activities of the primary government of the Town and the discretely presented component unit of the Town for the fiscal year. The operations of the Town are shown in a format which reports the net (expense) revenue of the individual functions of the Town. The purpose of this net (expense) revenue format is to report the relative financial burden of each of the Town's functions on the taxpayers. Program revenue is applied to each function based on which function generated the specific charges for services and for which functions the operating and capital grants have been received. All taxes are shown as general revenues regardless of whether they were levied for a specific purpose or function. The categories of individual functions correspond to the different departments and operations of the Town. Indirect expenses which benefit the Town as a whole are not required to be allocated among the other functions of the Town and therefore they are not allocated. Depreciation expense is allocated to the specific functions (sometimes referred to as departments) of the Town based on which function purchased or benefits from the assets. Depreciation on assets shared between two or more functions is allocated based on the percentage purchased by each function. If the benefit received from these assets shifts from the function making the purchase to another function in a material amount, the depreciation amount being charged will be shifted accordingly. Depreciation on capital assets which benefit all of the functions of the Town, such as infrastructure assets, is shown as a separate line item. Internal activity between individual funds within the governmental and business type activities are eliminated in this statement. This internal activity is also known as transfers in and out and is shown in the fund financial statements as such. The above information relating to the government-wide financial statements basis of presentation reference both governmental and business type activities. The Town currently does not have any business type activities.

2. Measurement focus and basis of accounting

The statement of net assets and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. The accrual basis of accounting would be used for both governmental and business type activities of the primary government of the Town and the discretely presented component unit. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. In other words, revenues and the related assets are recognized when they are earned and expenses and the related liabilities are recognized when they are incurred. The Town does not have an established policy relating to the use of restricted and unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Absent of an established policy which addresses this situation, accounting guidance states that it should consider that restricted amounts would be reduced first and then unrestricted amounts.

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2011

C. Fund financial statements

1. Basis of presentation

The fund financial statements of the Town consist of a balance sheet with a reconciliation to the government-wide statement of net assets, a statement of revenues, expenditures, and changes in fund balances with a reconciliation to the government-wide statement of activities, a budgetary comparison schedule for the general fund, a statement of fiduciary net assets and a statement of changes in fiduciary net assets. These fund financial statements are designed to report additional and more detailed information about the primary government. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts which record cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with any special regulations, restrictions, or limitations which may exist. The types of funds shown for the Town are governmental funds and fiduciary funds. The focus of these fund financial statements are on major funds as defined by GASB Statement No. 34. All major funds are reported in a separate column with all non-major funds being aggregated and reported in a single column.

Governmental fund reporting focuses primarily on the sources, uses, and balances of the current financial resources of the Town. The governmental funds used by the Town include the general fund. Other non-major governmental fund types used by the Town include special revenue funds, capital project funds, and permanent funds. The general use and purpose of these individual governmental fund types are as follows. The individual names of each fund within each non-major governmental fund type can be found in the accompanying combining schedules and the purpose of the fund is generally self explanatory within each title.

- a. General fund - The general fund is the main operating fund of the Town. It is used to account for and report all financial resources not accounted for and reported in another fund.
- b. Special revenue funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term proceeds of specific revenue sources establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. The specific restricted or committed revenues may be initially received in another fund and subsequently distributed to a special revenue fund, however, those amounts should not be recognized as revenue in the fund initially receiving them but rather be shown as revenue in the special revenue fund in which they will be expended for the specified purpose. The restricted or committed proceeds of the specific revenue sources should be expected to continue to make up a substantial portion of the resources flowing into the fund. Other financial resources such as investment income and transfers from other funds may also be reported within a special revenue fund as long as those resources are restricted, committed or assigned to the specified purpose of the fund.
- c. Capital project funds - Capital project funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, such as the acquisition or construction of capital facilities and other capital assets.
- d. Permanent funds - Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town's programs and in effect the benefit of the Town or its citizens.

Fiduciary fund reporting focuses on net assets and changes in net assets. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the programs of the Town. The fiduciary funds of the Town consist of private purpose trust funds and agency funds. Private purpose trust funds account for the assets held by the Town in a trustee capacity on behalf of the schools in the form of scholarship funds and on behalf of the library and cemeteries in similar funds. All of the resources of these funds, including any earnings on invested resources, may be used to support their activities. There is no requirement that any portion of these resources be preserved as capital. Agency funds are used to report resources held by the Town in a purely custodial capacity. Agency funds of the Town consist of the student activity accounts located at the Board of Education and funds received from Board of Education retirees to be put toward the payment of health insurance benefits.

The balance sheet is used to report information about the current financial resources (assets, liabilities, and fund balances) of each major governmental fund and for all non-major governmental funds in the aggregate. The fund balance amounts within the governmental funds are segregated between nonspendable, restricted, committed, assigned and unassigned amounts. These balances are shown on the face of the balance sheet in the aggregate but are broken out into the required detail in note 1P on page 28. An accompanying schedule is also required to be completed to reconcile the total governmental fund balance to the total net assets balance of the governmental activities of the Town as shown on the government-wide statement of net assets.

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2011

The statement of revenues, expenditures, and changes in fund balances is used to report information about the inflows, outflows, and balances of current financial resources of each major governmental fund and all non-major funds in the aggregate. Revenues are classified by major revenue sources while expenditures are classified by categories of individual functions corresponding to the different departments and operations of the Town. The proceeds from the issuance of long-term debt and operating transfers between individual funds are shown as other financing sources and uses. An accompanying schedule is also required to be completed to reconcile the total change in governmental fund balances to the total change in net assets of the governmental activities of the Town as shown on the government-wide statement of activities.

The budgetary comparison information is required to be presented for the general fund and each major special revenue or capital project fund that has a legally adopted annual budget. This statement shows the original budget as voted on and appropriated, the changes made to each individual departmental line item within the budget, and the final budget which is compared to the actual revenue and expenditure balances to come up with the favorable or unfavorable variance numbers.

The statement of fiduciary net assets shows information in regard to the assets and liabilities of the fiduciary funds of the Town which consist of private purpose trust funds and agency funds. The statement of changes in fiduciary net assets shows information in regard to the additions to, subtractions from, and net increase or decrease for the year in fiduciary fund net assets. This statement is only required to show the activity of the private purpose trust funds of the Town.

2. Measurement focus and basis of accounting

The balance sheet and the statement of revenues, expenditures, and changes in fund balances are prepared using the current financial resources measurement focus and the modified accrual basis of accounting for all governmental and fiduciary funds. Capital assets and long-term debt are not recorded as assets or liabilities on the balance sheet of the Town. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Under the modified accrual basis of accounting revenues are recognized when they become measurable and available as net current assets. Property tax revenues are recognized when they become available. Available includes those property taxes receivable which are expected to be collected within the first sixty days after the end of the current fiscal year. Miscellaneous revenues are recorded when received because they are generally not measurable until actually received. Intergovernmental revenues are accrued, when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available. The Town generally considers intergovernmental revenues which are received within the first sixty days after the end of the current fiscal year to be both measurable and available. Expenditures are generally recognized under this basis of accounting when the related fund liability is incurred. Exceptions to this general rule include general long-term debt principal and interest which is recognized when due.

D. Cash and cash equivalents

Cash and cash equivalents include amounts in demand deposit accounts as well as all highly liquid short-term investments with a maturity date within three months of the date acquired by the Town. However, the Town does classify money market accounts and certificates of deposit accounts as investments regardless of maturity in order to more accurately reflect how the Town's cash balances are being used for the benefit of the Town.

E. Investments

In accordance with GASB Statement No. 31, it is the Town's policy to value investments at their fair value as of the end of the fiscal year. Some of the types of investments authorized by the State of Connecticut include obligations of the United States Government, obligations fully insured or guaranteed by the government or governmental agency, the State local government investment pool (STIF account), and repurchase agreements. The Town does have types of investments other than those authorized by the State however they represent assets which have been donated to the Town and therefore are not subject to the limitations of the applicable State statutes. These donated investments are reported in the fund financial statements within the Trumbull investments fund.

F. Revenue recognition - property taxes

The Town's property tax for the current year was levied June 22, 2010 on the grand list as of October 1, 2009, for the real, motor vehicle and personal property located in the Town at a rate of 22.1 mills. Real estate, personal property and motor vehicle taxes were due on July 1, 2010, and January 1, 2011. Supplemental motor vehicle taxes were due on January 1, 2011. Interest on unpaid taxes commenced once the aforementioned due dates were missed, at 18% per annum or 1.50% per month. As described earlier, in the fund financial statements property tax revenues are recorded in the amount of the annual principal property tax assessment with an adjustment being made for the amount of principal expected to be collected within the first sixty days after the end of the current fiscal year. In the government-wide financial statements, only the current year principal assessment is recorded as revenue.

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2011

G. Receivables

All property tax, intergovernmental, and other receivables are reported net of any allowance for doubtful accounts. Fund financial statement accounts receivable balances include property tax principal amounts, intergovernmental amounts due on grant and other miscellaneous agreements, and other receivable amounts which consist primarily of school tuition and amounts due from State grant holding agents (Reich & Tang). On the government-wide financial statements, the current year accounts receivable balance of \$518,876 is made up of general property taxes receivable of \$419,123, the Lake Williams special assessment receivable of \$13,548, state, federal and other grant receivables of \$22,793 and other miscellaneous receivables of \$63,412. The long-term accounts receivable balance of \$97,144 is made up of the accumulated delinquent interest and fees on active property tax principal amounts. Delinquent interest and fees on suspense tax receivable principal balances are not included. The notes receivable balance of \$573,695 is related to a CDBG grant and loan fund program received and entered into by the Town which is more fully described in note 9 on page 35. All of the above mentioned receivable amounts are also recorded on the fund financial statements with the exception of the accumulated delinquent interest and fees on property tax principal amounts which are only required to be reported on the government-wide financial statements. The Town will book an unbilled receivable in situations when a grant or contract has incurred expenditures which will be reimbursed by a funding source but which have not yet been fully received in cash for the amount incurred. The current allowance for doubtful accounts in relation to the above mentioned accounts receivable balances was estimated to be \$0. The Town considers past experience with receivable balance collections and current aging report details when determining its calculation for an allowance for doubtful accounts. Receivables are only written off once it has been determined that all other methods of collection have been utilized without success.

H. Tax acquired property

Property which has been foreclosed on by the Town due to non-payment of taxes or other similar situations is classified as tax acquired property at the value of the original outstanding tax receivable amount. Interest and fees on the property are recorded at such time when the property is sold.

I. Inventories

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used which is in accordance with the consumption method. On the fund financial statements, inventories are presented at cost on a first-in, first-out basis and are recorded as an expenditure when used.

J. Prepaid items

Payments made to vendors for services and in certain circumstances goods that will benefit periods beyond the end of the fiscal year are recorded as prepaid expenses-expenditures using the consumption method by recording an asset for the prepaid amount and reflecting the expense-expenditure in the subsequent year (s) in which the services are consumed. Expenditures relatively minor in nature for insurance and similar services extending over more than one accounting period need not be allocated between or among accounting periods, but may be accounted for as expenditures of the period of acquisition. The Town considers relatively minor in nature to include aggregated similar items not exceeding \$5,000. Payments made to vendors for services and in certain circumstances goods that will only benefit periods beyond the end of the fiscal year which are related to grants are recorded as prepaid expenses-expenditures regardless of the dollar amount.

K. Inter fund receivables and payables

Inter fund receivables and payables represent the balance of activity between the different funds of the Town. These activities include but are not limited to transfers which were not physically made but need to be recorded to keep track of the individual fund balances, a portion of the annual tax commitment applicable to certain special revenue and other funds of the Town which are shown as transfers within the annual budget document approved by the inhabitants of the Town and cash receipts which may have been deposited in the cash account of one fund but which are for the use of another fund. The actual receipt of this tax revenue and other revenues is not deposited into the individual funds but rather into the general fund and accounted for as an inter fund receivable. Expenditures for one fund paid for out of another fund are also included in these balances. The balance of inter fund receivables and inter fund payables as shown on the balance sheet must equal. These inter fund balances and related activities have been eliminated in the government-wide statement of net assets and the statement of activities.

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2011

L. Capital assets

Capital assets of the Town include land, land improvements, buildings, building improvements, vehicles equipment, infrastructure, and all other tangible and intangible assets which may arise that are used in operations and that have an initial useful life extending beyond a single fiscal year. Infrastructure assets are long-lived capital assets that are normally stationary in nature and can normally be preserved for a significantly greater number of years than most capital assets. The types of infrastructure assets recorded by the Town include but are not limited to improved town roads, unimproved town roads, and bridges. All improvements to infrastructure and other capital assets are capitalized which add to the value or materially extend the life of the asset. All capital assets of the Town are recorded at historical cost or estimated historical cost when the actual amount is not available. The historical cost of these assets includes not only the cost of the asset but also capitalized interest charges and other direct costs associated with placing the asset into its intended location and its intended use. The Town maintains a capitalization threshold of \$5,000 for all capital assets with the exception of land purchases which are recorded regardless of amount. Donated capital assets are reported at their estimated fair value at the time of acquisition plus other direct costs associated with placing the asset into its intended location and intended use. Capital assets are only shown on the government-wide statement of net assets.

Land and land improvements are not depreciated. All other individual capital assets of the Town are depreciated over their estimated useful lives using the straight line method. Under this method, the recorded cost of each capital asset less any estimated residual value is divided by the estimated useful life resulting in an even amount of depreciation to be taken on an annual basis. The estimated residual value is the amount that the capital asset is expected to be worth at the end of its useful life. The general estimated useful lives for specific types of capital assets are 3 - 10 years for equipment, 5 - 10 years for vehicles, 30 - 50 years for buildings and building improvements and infrastructure. Capital assets which are under construction but not yet completed are recorded as construction in progress. These capital assets will not begin to be depreciated until they are completed. Depreciation expense is allocated to the specific functions (sometimes referred to as departments) of the Town based on which function purchased or benefits from the assets. Depreciation on assets shared between two or more functions is allocated based on the percentage purchased by each function. If the benefit received from these assets shifts from the function making the purchase to another function in a material amount, the depreciation amount being charged will be shifted accordingly. Depreciation on capital assets which benefit all of the functions of the Town, such as infrastructure assets, is shown as a separate line item. Depreciation expense on capital assets is only shown on the government-wide statement of activities and is added to the individual function or department as described above

M. Deferred revenue

On the government-wide financial statements, revenue amounts which have been received in cash but not yet earned or recognized are recorded as deferred revenue. The current year deferred revenue balance of \$890,678 on the government-wide financial statements is made up of unearned Town and educational grant balances of \$131,967, property tax receipts collected on the last day of the current fiscal year which relate to the upcoming fiscal year assessment in the amount of \$731,479, the outstanding Lake Williams special assessment balance of \$13,548 and other miscellaneous items in the amount of \$13,684. On the fund financial statements, property taxes receivable not expected to be received within the first 60 days after the fiscal year end (i.e. not measurable and available) as well as property tax revenue which has been received in advance of the fiscal year to which it applies and other miscellaneous items are recorded as deferred revenue. The current year deferred revenue balance of \$1,122,223 on the fund financial statements is made up of the property tax receivable balance not expected to be received within the first 60 days after the fiscal year end of \$363,512, property tax receipts collected on the last day of the current fiscal year which relate to the upcoming fiscal year assessment in the amount of \$731,479, the outstanding Lake Williams special assessment balance of \$13,548 and other miscellaneous items in the amount of \$13,684. Codification of Governmental Accounting and Financial Reporting Standards section 1600.114 states that in regard to the modified accrual basis of accounting, material revenues received prior to the normal time of receipt should be recorded as deferred revenue.

N. Budget

The Town's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting (except in relation to teacher on-behalf payments made by the State which are not budgeted for and encumbrances) which is consistent with generally accepted accounting principles. In addition, the budget calls for certain amounts to be transferred or allocated to specific funds which have been set up by the Town for specific purposes. A portion of the budgeted revenues to be raised by the annual tax commitment is considered by the Town to be a specific revenue source which is committed to expenditure for these specified purposes. The budget calls for the revenue to be shown within the general fund and a transfer out to be shown to each of these specific funds. In accordance with the true accounting definition of a special revenue fund, specific revenue sources which in this case would be a portion of the annual tax commitment would be required to be shown as revenue of the specific fund. Therefore, on the Statement of revenues, expenditures and changes in fund balances (Statement D), property tax revenues have been

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2011

shown for these specific special revenue funds with no transfers in or out being shown in either the general fund or the special revenue funds. On the Budget to actual statement for the general fund (Statement E) these amounts have been shown as property tax revenues for the general fund and as transfers out for the general fund in accordance with the approved budget of the Town. The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the department level within each general function of the Town. Only the Board of Finance may approve budget transfers within and between expenditure classes and individual departments in accordance with applicable State statutes. The bottom line budgeted revenue and expenditure amounts can only change upon approval of the inhabitants of the Town through a special town meeting. The procedures followed in establishing the budgetary data shown in the financial statements is as follows:

- a. Early in the second half of the last fiscal year the Town's selectmen, departments, boards and commissions submitted budget requests for the year beginning July 1. The operating budgets include proposed expenditures and the means of financing them.
- b. Hearings are then held for the submitted budget requests by functions: (1) Selectmen's budget, (2) departments, (3) boards and commissions, (4) capital and nonrecurring requests and (5) Board of Education.
- c. A meeting of the inhabitants of the Town is then called for the purpose of adopting the proposed budget after public notice of the meeting had been given. The current fiscal year budget was adopted by the inhabitants of the Town on May 12, 2010.

	Revenues and other financing sources	Expenditures and other financing uses	Net change in fund balance
Statement D - GAAP basis	\$ 23,498,183	\$ -24,167,914	\$ -669,731
Tax commitment for special revenue funds	384,900	-384,900	-
State on-behalf payments	-1,360,318	1,360,318	-
Current fiscal year encumbrances	-	-	-
Prior fiscal year encumbrances	-	-	-
Statement E - Budgetary basis	\$ 22,522,765	\$ -23,192,496	\$ -669,731

O. Major funds - Fund financial statements only

The focus of the governmental funds of the Town is on the major funds. The general fund of the Town must always be shown as a major fund. In addition, other governmental funds are shown as major based on the following criteria.

- a. The total assets, liabilities, revenues, and expenditures of an individual governmental or enterprise (if present) fund are at least 10% of the corresponding totals for all funds of the governmental or enterprise (if present) fund type and
- b. The total assets, liabilities, revenues, and expenditures of an individual governmental or enterprise (if present) fund are at least 5% of the corresponding totals for all governmental and enterprise (if present) funds combined.
- c. Any other individual governmental or enterprise (if present) fund that the Town believes is particularly important to the financial statement users whether because of public interest, consistency, or other reasons.

For the purposes of the current fiscal year fund financial statements, the following individual governmental funds have been classified as major. A brief description of the fund and the activities reported within the fund is as follows.

- d. Town construction projects - This fund is used to account for the financial resources received and expended for five individual town projects. Construction at the elementary and middle schools were financed by State construction revenues and through Town appropriations and bonding. The fire safety complex and senior center were financed through annual appropriations and bonding for the fire safety complex. The Amston lake sewer project is being financed through initial appropriations from the town unassigned general fund balance which will be repaid by the fund and also through bonding. Financial information for these projects can be found on Sub-Schedule A on page 56.
- e. Capital and non-recurring fund - This fund is used to account for financial resources to be used by the Town to purchase or construct capital assets or projects. The capital assets purchased through this fund are usually more costly than those purchased and accounted for within other funds, functions, and departments. The activities within this fund are financed through annual appropriations as approved as part of the annual budget and through other miscellaneous grants and revenues.
- f. Trumbull investments fund - This fund is used to account for three sets of investments donated to the town by Hugh Trumbull Adams with the revenue generated by these investments to be used to help fund the operations of the town library, the Adams community center, and the Jonathan Trumbull Jr. house.

Town of Lebanon, Connecticut
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P. Fund balance classification policies and procedures - fund financial statements only

The fund balance amounts of the governmental funds of the Town on the balance sheet are broken down between nonspendable, restricted, committed, assigned and unassigned. These fund balance classifications are described as follows:

- a. Nonspendable fund balance - Nonspendable fund balance include amounts that cannot be spent because they are either (a) not in a spendable form such as inventories or prepaid expenditures or (b) they are legally or contractually required to be maintained intact such as the principal portion of a permanent fund. The nonspendable funds balance amounts as reported by the Town consist solely of the principal portion of its permanent funds and a corresponding amount for the recorded amount of inventory and prepaid expenditures, when applicable.
- b. Restricted fund balances - Restricted fund balance include amounts that are restricted to a specific purpose when the restraints are placed on the use of the resources either by (a) externally imposed creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Town to assess, levy, charge or otherwise mandate payment of resources from external sources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. The restricted fund balance amounts of the Town consist of the residual fund balance amounts at the end of the fiscal year as they relate to grants received from either State, Federal or local funding sources or donations received to be spent for specific purposes. These amounts are restricted to be expended on the items outlined within the funding agreement with the Town and cannot be used for any other specified purposes. In addition, the Town has created a special revenue fund to account for and report the proceeds of funds collected by the town clerks office as mandated by the State of Connecticut in relation to historic document preservation fees and locip surcharge assessment fees. These mandated fees are considered a form of enabling legislation imposed by the State and therefore the funds collected by the Town are restricted to be expended based on the parameters of the enabling legislation. Other funds restricted by the Town include the balance of the housing rehabilitation income fund which relates to housing rehabilitation grants received by the Town, the non-principal portion of permanent funds, the student activity related accounts located at the elementary, middle and high school of the Town which are restricted for educational purposes and the remaining balance within the school lunch program which is restricted to be used within the school lunch program based on the grant revenue received as well as State statutes.
- c. Committed fund balance - Committed fund balance include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision making authority. These committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The Board of Finance is considered to be the highest level of decision making authority within the Town for determining committed fund balance amounts. The Board of Finance has the final approval for the budget amounts which are presented to the citizens of the Town for approval and in turn the establishment of the related special revenue or capital project funds. The approval of the annual town budget includes amounts characterized as specific revenue sources as a portion of either the annual tax commitment or other specific revenue sources contained and voted on within the annual budget. An example of a committed fund balance amount would relate to an approved transfer to an established special revenue fund or the capital nonrecurring fund. The residual fund balance amount within these funds at the end of the fiscal year would be classified as committed fund balance. Any subsequent change in the specific purpose or use of these committed funds would need to be approved either at the annual town meeting or a special town meeting.
- d. Assigned fund balance - Assigned fund balance include amounts that are constrained by the Town with the intent to be used for specific purposes, but which are neither restricted or committed. The intent to use funds for specific purposes is to be assigned by either town meeting appropriations or the Board of Finance. The First Selectman has the authority to accept funds on behalf of the Town which are specific revenue sources to be used for specific purposes and to establish special revenue or capital project funds to account and report these amounts in accordance with the direction received from the Board of Finance. Assigned special revenue and capital project funds are usually made up of small streams of specific revenue sources for specific purposes for which there is a perceived benefit to segregating and reporting the funds rather than including them within the general fund. In addition, annual budgetary encumbrances outstanding at the end of the fiscal year would be classified by the Town as assigned amounts within the general or specific special revenue or capital project funds. Subsequent fiscal year budgeted appropriations of the unassigned general fund balance would also be reported as assigned fund balance amounts of the general fund at the end of the current fiscal year.
- e. Unassigned fund balance - Unassigned fund balance is the residual classification for the general fund of the Town. This classification represents fund balance amounts that have not been assigned to other funds and that have not been restricted, committed or assigned to specific purposes within the general fund. In addition, individual governmental funds whose ending fund balance is negative are also classified as unassigned within the specific fund.

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The Town does not have an established policy relating to the use of unrestricted fund balance amounts as it relates to when it considers committed, assigned or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of these three unrestricted classifications could be used. Absent of an established policy which addresses this situation, accounting guidance states that it should consider that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts. In addition, restricted fund balance amounts are considered to have been spent prior to unrestricted amounts under the same circumstances. The following table is designed to provide more detailed information regarding the aggregated fund balance classifications which are included on the balance sheet.

Fund balances:	General fund	Town construction projects	Capital & nonrecurring fund	Trumbull investments fund	Non-major governmental funds	Totals
Nonspendable:						
Prepaid items	\$ 23,561	\$ -	\$ -	\$ -	\$ 1,707	\$ 25,268
Non-USDA inventory	-	-	-	-	7,353	7,353
Permanent funds principal	-	-	-	-	322,270	322,270
Restricted:						
Town grants	-	-	-	-	66,009	66,009
Educational grants	-	-	-	-	65,972	65,972
Educational programs	-	-	-	-	73,127	73,127
Educational activity accounts	-	-	-	-	66,541	66,541
Trumbull donations funds	-	-	-	1,850,212	243,963	2,094,175
Other town donation funds	-	-	-	-	26,991	26,991
Housing rehab income fund	-	-	-	-	585,971	585,971
Enabling legislation funds	-	-	-	-	43,698	43,698
Permanent funds non-principal	-	-	-	-	1,268	1,268
Committed:						
Town construction projects	-	26,286	-	-	-	26,286
Capital nonrecurring balances	-	-	779,479	-	-	779,479
Lebanon public library	-	-	-	-	30,384	30,384
Lebanon recreation commission	-	-	-	-	34,737	34,737
Jonathan Trumbull Jr. house	-	-	-	-	56,822	56,822
Adams community center	-	-	-	-	29,315	29,315
Town improvement program	-	-	-	-	63,509	63,509
Senior vans program	-	-	-	-	85,478	85,478
Lake Williams project	-	-	-	-	44,607	44,607
Assigned:						
Summer dance festival	-	-	-	-	12,666	12,666
Cemetery lot funds	-	-	-	-	84,336	84,336
Historic building funds	-	-	-	-	10,098	10,098
Unassigned:						
General fund	3,121,029	-	-	-	-	3,121,029
Town construction projects	-	-772,080	-	-	-	-772,080
Town grants	-	-	-	-	-59,535	-59,535
Town programs	-	-	-	-	-1,835	-1,835
Educational grants	-	-	-	-	-38,473	-38,473
Over expended permanent funds	-	-	-	-	-1,683	-1,683
Total fund balances	\$ 3,144,590	\$ -745,794	\$ 779,479	\$ 1,850,212	\$ 1,855,296	\$ 6,883,783

Q. Encumbrance accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year-end. The Town of Lebanon does utilize encumbrance accounting. The assignment of fund balance at June 30, 2011 was \$0 for the general fund as it relates to the Board of Education, and \$0 for the non-major special revenue funds as they relate to the State and Federal grant programs of the Board of Education.

Town of Lebanon, Connecticut
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R. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results may differ from those estimates.

S. Unclassified and program expenditures

The Town uses a departmental expenditure category labeled unclassified and program to account for certain types of expenditures that they do not feel truly fall into the traditional departmental expenditure categories of the Town. The general fund classifies Town wide fringe benefits into this departmental expenditure category. In addition, the expenditures of the Town’s housing rehabilitation program and revolving loan fund are grouped into this departmental expenditure category as well as other miscellaneous programs that do not fall into any of the traditional departmental expenditure categories of the Town.

T. Interest expense

The total interest expense incurred by the Town during the current fiscal year totaled \$190,837 and related solely to the long-term bonds and notes payable outstanding. The entire amount of interest expense incurred was charged to expense.

Note 2 - Restricted cash and investments - government-wide financial statements only

The Town breaks cash and investments down between a regular current asset and an other asset restricted on the government-wide statement of net assets. The other asset restricted investment amount is made up of the balance of the investments which have been donated to the Town and whose interest and earnings are used to partially fund the operations of the Towns library, community center, and the Jonathan Trumbull Jr. house. This investments balance can also be seen on the fund financial statements balance sheet as the major fund labeled the Trumbull investments fund. In addition, the permanent funds include investments in the amount of \$24,981. These investments are also shown as restricted. The other assets restricted cash amount is made up of cash balances which are restricted for a specific purpose in subsequent fiscal years. The current year amount shown on the government-wide statement of net assets can be broken down as follows.

Community development grants and programs	\$	14,241
State, federal, and other grant program balances deferred		131,967
Principal balance of non-major permanent funds		320,395
Restricted donation funds		271,409
Enabling legislation program funds		43,698
Educational activity accounts and program funds		147,657
		\$ 929,367

Note 3 - Deposits and investments

Deposits

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a formal deposit policy for custodial credit risk beyond the requirements of State statutes. All interest bearing transaction deposit accounts, including certificates of deposit, savings accounts, and money market accounts are currently insured up to \$250,000 by FDIC per financial institution and per the official custodian of the Town. In addition, recent amendments to the FDI Act provide full deposit insurance coverage for non-interest bearing transaction accounts beginning December 31, 2010, for a two-year period. At year end, the carrying amount of the Town’s deposits was \$5,961,918 which is shown in the financial statements as cash balances of \$3,467,601 and investment balances of \$2,494,317 which represent money market accounts and certificates of deposit. The corresponding bank balances of these accounts at various financial institutions totaled \$5,453,365 with the difference between the two amounts being represented by timing differences with outstanding checks, deposits in transit and cash on hand. Of these bank balances, \$3,029,895 was covered by FDIC with the remaining \$2,423,470 representing balances that were uninsured and collateralized by securities held by the pledging financial institutions’ trust department or agent but not in the Town’s name.

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The Town does not have a formal deposit policy for custodial credit risk beyond the requirements of State statutes. All of the Town's deposits are in qualified public institutions as defined by state statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio. The amount of public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

The Lebanon Volunteer Fire Department is reported within the government-wide financial statements of the Town as a discretely presented component unit. The Department does not have a formal deposit policy for custodial credit risk beyond the requirements of State statutes. At year end, the carrying amount of the Department's deposits was \$512,888 which is shown in the financial statements as cash balances of \$197,460 and investment balances of \$315,428 which represent money market accounts and certificates of deposit. The corresponding bank balances of these accounts at various financial institutions totaled \$517,166 with the difference between the two amounts being represented by timing differences with outstanding checks and deposits in transit. Of these bank balances, \$250,000 was covered by FDIC with the remaining \$267,166 representing balances that were uninsured and collateralized by securities held by the pledging financial institutions' trust department or agent but not in the Department's name in accordance with applicable state statutes as described above.

Investments

The following schedule shows the different types of investments held by the Town, the maturities of those investments and the associated credit ratings as of June 30, 2011.

Type	Fair value	Maturities in years			Credit ratings	
		Less than 1 year	1 - 5 years	6 - 10 years	Moody's	S & P
Governmental funds:						
CT short term investment fund	\$ 24,875	\$ 24,875	\$ -	\$ -	not rated	AAAm
Federal home loan bank bonds	10,474	10,474	-	-	Aaa	not rated
Preferred stocks	9,703	9,703	-	-	not rated	BBB+
Money market and certificates	2,396,796	2,396,796	-	-	not rated	not rated
Mutual funds fixed income	67,807	67,807	-	-	not rated	not rated
Money market ready asset funds	8,197	8,197	-	-	not rated	not rated
U.S. Treasury notes	73,743	-	73,743	-	Aaa	AAA
Corporate bonds	29,805	-	-	29,805	A2	A-
	<u>2,621,400</u>	<u>\$2,517,852</u>	<u>\$ 73,743</u>	<u>\$ 29,805</u>		
Stock equities	1,632,800					
Mutual fund equities	<u>27,312</u>					
	<u>\$ 4,281,512</u>					
Fiduciary funds:						
Money market and certificates	<u>\$ 97,522</u>	<u>\$ 97,522</u>	<u>\$ -</u>	<u>\$ -</u>	not rated	not rated
Discretely presented component unit:						
Lebanon volunteer fire department						
Money market and certificates	<u>\$ 315,428</u>	<u>\$ 157,565</u>	<u>\$ 157,863</u>	<u>\$ -</u>	not rated	not rated

Interest Rate Risk - The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Credit Risk - The Town does not have a formal investment policy that would further limit its investment choices beyond those limited by Connecticut State statutes. The types of investments

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authorized to be carried by the Town are in accordance with those authorized by the State of Connecticut. These investments include obligations of the United States Government, obligations fully insured or guaranteed by the government or governmental agency, and repurchase agreements. The Town may vote to accept other types of investments than those authorized by the State in situations where they have been donated to the Town to benefit the Town. Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a formal policy for custodial credit risk.

Note 4 - Inter fund receivables, payables, and transfers - fund financial statements only

A. Inter fund receivables and payables - The Town maintains a cash pool that is available for use by all funds. Each fund's portion of this pool is displayed on the balance sheet as "due to or from other funds" under each fund's caption. The purpose for inter fund balances is to keep track of each fund's position in this cash pool. These balances are not expected to be repaid due to the fact that they simply represent funds collected or spent by one fund on behalf of another fund. The following information represents inter fund receivables and payables by individual major fund and non-major funds in the aggregate. Only the balances for major funds are being shown below as is required.

	Receivable due from	Payable due to
General fund:		
Town construction projects	\$ 772,080	\$ 58,768
Capital and non-recurring fund	-	799,050
Non-major special revenue funds	904,231	720,401
Non-major capital project funds	38,127	28,468
Non-major permanent funds	21,734	-
	\$ 1,736,172	\$ 1,606,687

B. Inter fund transfers - Transfers in and out represent budgeted transfers which are not always physically made but need to be recorded to keep track of the individual fund balances and the transfers of income earned from one individual fund to another in accordance with the requirements of the individual funds. There were no transfers made by the Town during the current fiscal year which were significant which have been deemed not to have occurred on a routine basis and which are inconsistent with the activities of the fund (s) making the transfer (s). The following information represents inter fund transfers by individual major fund and non-major funds in the aggregate. The \$400,000 transfer from the general fund to the town construction projects fund represents a loan amount from the unassigned general fund balance to the Amston Lake Sewer project. This amount represents a temporary loan and will be paid back to the general fund along with any other approved temporary loan amounts in the upcoming fiscal year. The amounts shown below for general fund transfers out represent balances recorded in accordance with GAAP and shown on Statement D. Budgeted transfers in the amount of \$384,900 have been shown on Statement D as property tax revenue due to the fact that the basis for special revenue funds need to be specific revenue sources of which the Town considers these amounts.

	Transfers in	Transfers out
General fund:		
Town construction projects	\$ -	\$ -400,000
Capital and non-recurring fund	-	-942,469
Non-major special revenue funds	-	-3,840
Non-major permanent funds	998	-
	\$ 998	\$ -1,346,309
Town construction projects:		
General fund	\$ 400,000	\$ -
Capital and non-recurring fund:		
General fund	\$ 942,469	\$ -
Non-major special revenue funds	51,639	-
	\$ 994,108	\$ -
Trumbull investments fund:		
Non-major special revenue funds	\$ -	\$ -52,721

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Note 5 - Capital assets - government-wide financial statements only

The following schedule shows the capital asset activity for the fiscal year ended June 30, 2011. Information about the specific accounting policies of the Town in relation to capital assets can be found in item L of note 1 on page 25 of the notes to the financial statements.

Governmental activities:	Balance 07/01/10	Additions	Retirements	Balance 06/30/11
Capital assets not being depreciated:				
Land and improvements	\$ 1,896,289	\$ -	\$ -	\$ 1,896,289
Construction in progress	633,673	1,184,426	-1,253,444	564,655
Total at historical value	2,529,962	1,184,426	-1,253,444	2,460,944
Capital assets being depreciated:				
Buildings and improvements	35,767,406	-	-	35,767,406
Vehicles	3,446,477	296,910	-142,448	3,600,939
Equipment	694,486	25,722	-	720,208
Infrastructure	24,005,051	1,797,798	-	25,802,849
Total at historical value	63,913,420	2,120,430	-142,448	65,891,402
Less accumulated depreciation for:				
Building and improvements	-10,458,348	-	-865,532	-11,323,880
Vehicles	-2,155,347	52,227	-152,822	-2,255,942
Equipment	-512,787	-	-58,273	-571,060
Infrastructure	-17,032,967	-	-431,963	-17,464,930
Total accumulated depreciation	-30,159,449	52,227	-1,508,590	-31,615,812
Total capital assets being depreciated (net)	33,753,971	2,172,657	-1,651,038	34,275,590
Governmental activities capital assets (net)	\$ 36,283,933	\$ 3,357,083	\$ -2,904,482	\$ 36,736,534
Depreciation expense by function or department:				
General government	\$ -6,910			
Public safety	-144,693			
Public works	-66,118			
Health & social	-61,654			
Education	-795,792			
Unclassified	-1,460			
General infrastructure depreciation	-431,963			
	\$ -1,508,590			
Capital asset additions by function or department:				
Capital outlay	\$ 1,998,690			
Education	17,727			
General government	7,995			
Public works	27,000			
	\$ 2,051,412			
Construction in progress additions	\$ 1,184,426			
Construction in progress retirements	-1,253,444			
Capital assets being depreciated additions	2,120,430			
	\$ 2,051,412			

Town of Lebanon, Connecticut
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Note 6 - Long-term liabilities - government-wide financial statements only

Governmental activities:	Balance 07/1/10	Additions	Reductions	Balance 06/30/11	Amount due within one year
Outstanding payables:					
\$5,750,000 bond payable	\$ 4,210,000	\$ -	\$ -385,000	\$ 3,825,000	\$ 385,000
\$4,500,000 bond payable	450,000	-	-225,000	225,000	225,000
\$486,650 note payable	242,825	-	-27,012	215,813	28,395
\$3,955,000 bond payable	200,000	-	-200,000	-	-
Total outstanding payables	<u>5,102,825</u>	<u>-</u>	<u>-837,012</u>	<u>4,265,813</u>	<u>638,395</u>
Other liabilities:					
Accrued comp. absences - school	77,619	-	-10,497	67,122	
Accrued comp. absences - town	30,312	-	-607	29,705	
Accrued landfill post-closure costs	112,131	-	-11,500	100,631	
Total other liabilities	<u>220,062</u>	<u>-</u>	<u>-22,604</u>	<u>197,458</u>	
Total long-term liabilities	<u><u>\$ 5,322,887</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -859,616</u></u>	<u><u>\$ 4,463,271</u></u>	<u><u>\$ 638,395</u></u>

The following is a summary of the terms, conditions, and ending balance as of June 30, 2011 of the outstanding long-term bonds and notes payable of the Town:

Bonds and notes payable

\$5,750,000 bond payable issued in August of 2005 to finance two school renovation projects and a fire safety complex project. Annual principal installments range from \$385,000 to \$380,000 through August of 2021. Interest at 3.80%.	\$ 3,825,000
\$4,500,000 bond payable issued in August of 1991 to finance the construction of schools. Annual principal installments are \$225,000 through August of 2011. Interest at 6.44%.	225,000
\$486,650 note payable issued in February of 1998 to finance the purchase of property. Monthly payments are \$3,212 which includes interest at 5.00%. The bonds are due in February of 2018.	<u>215,813</u>
	<u><u>\$ 4,265,813</u></u>

The following is a summary of the total outstanding bonds and notes payable principal and interest requirements for the above referenced bonds and notes payable for the fiscal years ending June 30.:

	Principal	Interest	Total		Principal	Interest	Total
2012	\$ 638,395	\$ 155,661	\$ 794,056	2017	\$ 416,440	\$ 67,080	\$ 483,520
2013	414,847	132,098	546,945	2018	402,112	50,908	453,020
2014	416,374	115,941	532,315	2019	380,000	36,100	416,100
2015	417,979	99,706	517,685	2020	380,000	21,660	401,660
2016	419,666	83,389	503,055	2021	380,000	7,220	387,220
					<u>\$ 4,265,813</u>	<u>\$ 769,763</u>	<u>\$ 5,035,576</u>

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A. Accrued compensated absences

Employees of the Town and the Board of Education are allowed to earn paid absences for vacations and/or sick time. The employee's right to be paid for these future vacation and sick time absences are attributable to services already performed and earned vacation and sick time balances do accumulate. Town accumulated balances are paid when an employee leaves. Therefore, the probability of these benefits being paid can be determined and a liability has been recorded in the accompanying government-wide financial statements on the statement of net assets. School accumulated vacation balances are also paid when employees leave. However, school accumulated sick balances are only paid when an employee retires. Therefore, the probability of these school accumulated vacation benefits being paid can be determined and a liability has been recorded in the accompanying government-wide financial statements on the statement of net assets. The probability of school accumulated sick benefits being paid cannot be determined and therefore no liability for these benefits has been recorded. As of June 30, 2011, school accumulated sick balances totaled approximately \$336,581. A current portion of these liabilities has not been estimated due to the fact that these benefits (accumulated sick and vacation time) may be used by the employees during the course of the fiscal year or they may be paid out upon retirement or termination. An estimate could be made based on prior year activity but the Town believes there are too many variables which could render this estimate useless.

B. Accrued landfill post-closure costs

The Town of Lebanon municipal solid waste landfill was closed in October of 1993 due to new regulations imposed by the United States Environmental Protection Agency which the town was unable to meet. The cost of capping the landfill was paid for out of the Town's annual operating budget. The post-closure monitoring, which will continue for up to 30 years, will also be paid for out of the Town's annual operating budget. The Town set up a long-term liability to account for these funds being set aside for this post-closure care. In accordance with GAAP, the expense for this liability was to be recorded in each period based on the landfill capacity used to date. As of June 30, 2011 the amount outstanding for post-closure monitoring was \$100,631 which is shown as a long-term liability on the government-wide statement of net assets. A current portion of this liability has not been estimated due to the fact that the price of the upcoming fiscal year monitoring, year end report and other possibly unforeseen costs is unknown.

Note 7 - Deficit fund balances

In accordance with GAAP, all deficit fund balances and their nature must be disclosed. The following individual major and non-major funds had deficit fund balances as of June 30, 2011. These deficit fund balances represent an excess of expenditures over actual revenues, appropriations, and recorded receivables. The LES and LMS building projects were jointly funded by the State and the Town. The current deficit in these funds represents the Town's estimated portion to date which will be appropriated in the upcoming fiscal years less any additional amounts received from the State. Each project was submitted to the State as being complete in December of 2011 and will subsequently be audited by the State which should be completed within one year from the date of submission. The majority of the remaining deficits represent State, Federal and other award program balances which resulted from funds being expended either before they can or have been billed for. The over expended permanent fund balances represent expenditures of the nonspendable principal balance of Town permanent funds which will need to be funded or added back to the permanent fund either through appropriations or through the accumulation of unspent interest within the funds.

Major funds:	
Town construction projects	
LES building project	\$ -582,883
LMS building project	-187,303
Senior center construction project	-1,894
	<u>\$ -772,080</u>
Non-major funds:	
Dog fund	\$ -1,835
Agriculture viability grant	-12,845
Energy efficiency grant	-9,628
Town bridge grants	-34,522
DOT fix it first bridge grant	-2,540
School vo-ag equipment grant	-27,749
School educational grants	-10,724
Over expended permanent fund balances	-1,683
	<u><u>\$ -101,526</u></u>

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June 30, 2011

Note 8 - Net asset balances - invested in capital assets

The invested in capital assets, net of related debt net asset amount on the government-wide statement of net assets consisted of the following items as of June 30, 2011.

	Governmental activities
Recorded value of capital assets	\$ 68,352,346
Less accumulated depreciation	-31,615,812
Book value of capital assets	36,736,534
Less capital assets related debt	-4,265,813
Total invested in capital assets, net of related debt	\$ 32,470,721

Note 9 - Net asset and fund balances - restricted

The Town has received a number of housing rehabilitation CDBG grants from the U.S. Department of Housing and Urban Development. The purpose of these grants is to provide assistance to low to moderate income residents for addressing housing needs with a priority being placed on public health and safety code violations and to establish a permanent loan fund using the proceeds described as follows. Each resident receiving benefits under these grants is required to sign a deferred partially forgivable promissory note. These notes must be repaid to the Town as prescribed in the agreement with the proceeds being deposited into the aforementioned loan fund and permanently used by the Town for other similar programs. Program income including interest income earned on repaid funds before the funds are reused must be deposited into this loan fund. The principal amount of the loan will automatically be reduced by 10% on each consecutive anniversary of the note agreement for a maximum of 5 years or 50% of the original note balance. This forgivable portion is shown as a bad debt item and reduces the restricted net asset balance in the government-wide financial statements and the restricted fund balance in the fund financial statements. As of June 30, 2011, the following balances represent the loan fund described above.

Cash and restricted cash	\$ 69
Due from other funds	12,207
Notes receivable (net of allowance)	573,695
Restricted net assets and restricted fund balance	-585,971
	\$ -

Note 10 - On-behalf payments

As required by accounting principles generally accepted in the United States of America (GAAP), the Town has recorded a revenue and expenditure for Connecticut State Teachers' Retirement Board Contributions made by the State of Connecticut on-behalf of the Lebanon School Department teachers for the fiscal year ended June 30, 2011. The pension contributions made by the State are determined on an actuarial reserve basis in accordance with 10-183z of the Connecticut General Statutes which reflects public act 79-436 as amended. For the fiscal year ended June 30, 2011, the Lebanon Board of Education's total covered payroll was approximately \$8,555,462 and the applicable on-behalf payment percentage for the period was 15.90%. This amount was not budgeted for in the general fund and results in a difference in reporting on a budgetary basis of accounting versus reporting under GAAP. An intergovernmental revenue in the amount of \$1,360,318 and an education expenditure of \$1,360,318 have been included in the general fund on Statement D (GAAP basis) and have not been reported in the detail of Statement E (budgetary basis) of the fund financial statements. There is no effect on the fund balance at the end of the fiscal year. An operating grants and contributions revenue in the amount of \$1,360,318 and an expense in the governmental activities section under a separate education function line item of \$1,360,318 have been included on Statement B of the government-wide financial statements. There is no effect on the net asset balance at the end of the fiscal year. The above State funding percentage of 15.90% compares to 15.47% during the prior fiscal year. The above State on-behalf payment of \$1,360,318 compares to \$1,328,591 during the prior fiscal year.

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2011

Note 11 - Employees' retirement plans

Municipal Employees' Retirement System - Fund B

A. Plan description

The Connecticut Municipal Employees' Retirement System (CMERS) is a cost sharing multiple employer public employee retirement system (PERS) established by the State of Connecticut and administered by the State Retirement Commission to provide pension benefits for the employees of participating municipalities. CMERS 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. Plan provisions are set by statute of the State of Connecticut. CMERS 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. The Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the Municipal Employees' Retirement System, Hartford, Connecticut 04269.

B. Funding policy

Employees covered by social security are required by State statute to contribute 2-1/4% of earnings upon which Social Security tax is withheld plus 5% of earnings on which no social security tax is withheld. Employees not covered by social security are required to contribute 5% of all earnings. Each covered municipality is required by State statute to pay an actuarially determined percentage of covered payroll to provide for benefits based on current service and to finance the remaining costs of the plan. This percentage varies by police and fire versus general employees, and within those two groups, for populations covered by social security versus those not covered by social security. The statute also requires each municipality to pay an annual amount for benefits based on service prior to the unit's date of participation. This amount is a level dollar amortization (including interest and principal) over varying time periods depending upon the unit's date of participation and other factors. The required contribution percentages for the fiscal year ended June 30, 2011 for the Town are as follows.

	Police and fire employees	General employees
With social security	13.75%	9.50%
Without social security	13.50%	9.50%

C. Contributions required and contributions made

The Town's total actual contributions for town hall and library covered employees for the years ended June 30, 2011, 2010, and 2009 were \$53,857, \$42,609, and \$34,392, respectively. These actual contributions represent 100% of the contributions required to be made. These contributions are more fully broken down as follows:

	2011	2010	2009
Town hall and library employees:			
Contributions	\$ 42,818	\$ 31,770	\$ 23,642
Fees	1,900	1,700	1,530
Amortization	9,139	9,139	9,220
	\$ 53,857	\$ 42,609	\$ 34,392

The Town's total actual contributions for highway department covered employees for the years ended June 30, 2011, 2010, and 2009 were \$49,774, \$40,116, and \$31,532, respectively. These actual contributions represent 100% of the contributions required to be made. These contributions are more fully broken down as follows:

	2011	2010	2009
Highway department employees:			
Contributions	\$ 44,062	\$ 34,404	\$ 25,996
Fees	1,100	1,100	900
Amortization	4,612	4,612	4,636
	\$ 49,774	\$ 40,116	\$ 31,532

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2011

D. Teachers

The Lebanon Board of Education participates in the Connecticut State Teacher's Retirement System which is administered by the Teachers' Retirement Board. The provisions of the Teachers' Retirement System are contained in Chapter 167a of the Connecticut General Statutes to provide retirement, disability, survivorship and health insurance benefits for Connecticut public school teachers and their beneficiaries. Covered employees of the plan include any teacher, principal, superintendent or supervisor engaged in service of public schools, plus professional employees at State schools of higher education if they choose to be covered. The benefits of the program are funded by employee contributions, state appropriations and investment income. The Lebanon Board of Education does not contribute to the plan. Employees covered by the plan are required to contribute 7.25% of their annual earnings into the plan. Of this required employee contribution rate, 6.00% applies to each covered employees pension benefit account with the remaining 1.25% being applied to the health insurance fund. The State's required contribution percentage is determined in accordance with 10-183z which reflects public act 79-436 as amended. The required contribution percentages to the plan are made up of a percentage for the normal cost of the plan and a percentage for the unfunded accrued liability of the plan. An actuarial valuation of the plan is performed on a bi-annual basis with the most recent valuation being performed as of June 30, 2010. Based on that actuarial valuation, the contribution percentage for the normal cost of the plan was 10.11% and the contribution percentage for the accrued liability cost of the plan was 15.09% for a total required contribution percentage of 25.20%. The covered employees required contribution percentage was 6.00% leaving the required contribution percentage of the State as 19.20%. Additional information on the plan can be obtained from the Teachers' Retirement Board, Hartford, Connecticut 04269.

Note 12 - Other Post Employment Benefits - OPEB

Government accounting standards board (GASB) Statement No.'s 43 and 45 relate to the accounting and reporting for post-employment benefits other than pension benefits. The Town was required to implement this standard for the fiscal year beginning after December 15, 2007 which would be the Town's fiscal year ended June 30, 2009. The objective of Statement No. 43 - *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, is to establish uniform standards of financial reporting by state and local governmental entities for other postemployment benefit plans (OPEB plans). OPEB plans are plans that provide post-employment healthcare benefits, either separately or through a defined benefit pension plan. The most common forms of healthcare benefits are medical, dental and vision. Other examples of benefits which are covered by this statement include life insurance, disability and long-term care benefits only when they are provided separately from a defined benefit pension plan. Paragraph 9 of this statement tells us that OPEB arise from an exchange of salaries and benefits for employee services, and it is part of the compensation that employers offer for services received.

The Board of Education provides a benefit to its employees upon retirement in the form of the ability to be part of the health insurance plan while paying the full amount of the premium charged for active employees and receiving no physical subsidy from the Schools. Under this Statement, this type of benefit is referred to as an implicit rate subsidy. An implicit rate subsidy exists in effect when a health insurance premium rate is made up of age adjusted factors covering active and retired employees. The health insurance premiums which would be charged to a group of solely retirees are most likely larger than those which would be charged to a group of solely active employees. When these two groups are merged together, a rate somewhere in the middle is charged to all of the employees, whether active or retired. The difference between the premium costs paid by the employer and what would have been paid if the rates were not blended is considered a non current cost of the employer. The difference between the premium costs paid by the retiree and what would have been paid if the rates were not blended is considered a benefit to the retiree. Hence, a very simplified description of an implicit rate subsidy. Retired town hall employees are not provided this benefit.

Plan description

The Board of Education of the Town maintains a single employer defined benefit OPEB Plan. The Plan provides a benefit for retired teachers and administrators in the form of the ability to maintain health insurance coverage through the Plan available to active teachers and administrators of the Board of Education. Non-certified Board employees are eligible to participate in the Plan upon reaching age 55 with at least 5 years of service or upon 25 years of service. Cafeteria workers are not eligible to participate in the plan. Both the retiree and the retiree's spouse are eligible to participate in the plan and they must pay 100% of the cost for medical coverage. A number of different plan coverages are available. Certified Board employees are eligible to participate in the Plan upon reaching age 50 with at least 25 years of service, age 55 with at least 20 years of service or age 60 with at least 10 years of service. Both the retiree and the retiree's spouse are eligible to participate in the plan and they must pay 100% of the cost for medical coverage. A number of different plan coverages are available. The provisions of the Plan were established by the Board of Education along with the respective bargaining units of each group in conjunction with all applicable state statutes. The Plan

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2011

therefore would be amended through the action of these same groups. These benefits will continue for the life of the retiree once they are a part of the Plan. In addition, benefits for a retirees spouse will also continue for the life of the spouse once they are a part of the Plan. Surviving spouses are permitted to continue coverage after the death of the retiree, but are responsible for continuing to pay the same monthly premium amount or percentage that was being paid while the retiree was alive. The Plan does not issue stand-alone financial statements.

Funding policy and annual OPEB cost

The provisions of the Plan were established by the Board of Education along with the respective bargaining units of each group in conjunction with all applicable state statutes. The Board of Education does not contribute directly to this Plan but rather contributes in the form of an implicit rate subsidy. Retirees under this Plan are required to pay the full amount of the health insurance premiums that are applicable to their particular coverage option. The retiree portion is, however, reduced by an amount contributed by the State of State Retirement Board. The current amount contributed by the State for each retiree is \$110 per month for a single coverage plan and \$220 per month for a dual coverage plan. The State can modify the amount contributed at any time in accordance with applicable State statutes.

GASB Statement No. 45 does not mandate that a post-employment benefit liability be pre-funded by an organization it simply mandates that the liability be recorded and that certain related information be disclosed. The Board of Education of the Town currently plans to fund these benefits on a pay-as-you-go basis. As a result, no assets of the Town have been segregated and restricted to fund or provide these post-employment benefits. The annual required contribution (ARC), which is an actuarial determined amount, represents a level amount of funding, which if paid on an ongoing basis, would be projected to cover the normal cost each year and to amortize the unfunded actuarial liability over a period not to exceed thirty years.

The following table represents the OPEB costs for the Town in relation to the Board of Education OPEB plan for the current fiscal year and the annual required contribution.

Normal cost	\$	150,000
Amortization of unfunded actuarial accrued liability		303,000
Interest		9,000
Annual required contribution (ARC)	<u>\$</u>	<u>462,000</u>

Funding status

The Town's annual OPEB cost and the net OPEB obligation as it relates to the OPEB Plan of the Board of Education of the Town for the fiscal year ending June 30, 2011 are as follows.

Annual required contribution (ARC)	\$	462,000
Interest on beginning NOO (B) at 4.00%		24,000
Adjustment to ARC beginning NOO (B) divided by 17.98		<u>-33,400</u>
Annual OPEB Cost		452,600
Amount contributed		<u>-199,600</u>
 Increase in Net OPEB Obligation		 253,000
Net OPEB Obligation as of June 30, 2010 (B)		<u>599,900</u>
Net OPEB Obligation as of June 30, 2011	<u>\$</u>	<u>852,900</u>

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2011

Actuarial methods and assumptions

The projections of benefits associated with the Plan are based on the substantive Plan (this is the plan as it is understood by the employer and the plan members) and include the types of benefits available at the valuation date and the pattern of sharing the cost of these benefits between the Board of Education of the Town and the members of the Plan. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets. Significant methods and assumptions made in making the applicable actuarial calculations are as follows.

Actuarial valuation date	07/01/10
Actuarial cost method	Projected unit credit
Amortization method	Level dollar
Remaining amortization period	30 years
Actuarial assumptions	
Interest	4.00%
Projected salary increases	N/A
Healthcare inflation rate	10.00% for 2010, decreasing 1.00% per year to an ultimate rate of 5.00% for 2015 and later

Schedule of funding progress

Actuarial valuations involve a number of estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions based on actual results as compared to past expectations and new estimates based on expected future events and conditions. The required schedule of funding progress presented below provides multi-year trend information (only one year is currently available) intended to show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial valuation date	Actuarial value of plan assets (a)	Actuarial accrued liability (AAL) entry age (b)	Unfunded AAL (UAAL) (a - b)	Funded ratio (a / b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b - a) / c)
07/01/08	<u>\$ -</u>	<u>\$ 4,998,000</u>	<u>\$ 4,998,000</u>	<u>0.00%</u>	<u>\$ 9,850,000</u>	<u>50.70%</u>
07/01/10	<u>\$ -</u>	<u>\$ 5,448,000</u>	<u>\$ 5,448,000</u>	<u>0.00%</u>	<u>\$ 10,213,000</u>	<u>53.30%</u>

Schedule of employer contributions

The following schedule shows the Board of Educations annual OPEB cost, its annual contributions, the percentage of the annual OPEB costs contributed and the Net OPEB Obligation.

Fiscal year ending	Annual OPEB cost (AOC)	Actual contributions	Percentage of AOC contributed	Net OPEB Obligation (NOO)
06/30/09	<u>\$ 429,000</u>	<u>\$ 93,700</u>	<u>21.80%</u>	<u>\$ 335,300</u>
06/30/10	<u>\$ 436,000</u>	<u>\$ 166,200</u>	<u>38.60%</u>	<u>\$ 599,900</u>
06/30/11	<u>\$ 462,000</u>	<u>\$ 199,600</u>	<u>43.20%</u>	<u>\$ 852,900</u>

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2011

Note 13 - Commitments and contingencies - Operating leases

The Town and more specifically the Board of Education of the Town lease a number of photocopiers under a lease agreement which is classified as an operating lease. For this lease to be classified as a capital lease it must meet at least one of the following four criteria: 1) The lease passes title to the lessee by the end of the lease term, 2) the lease contains a bargain purchase option, 3) the lease term is at least 75% of the property's estimated economic life, or 4) the present value of the minimum lease payments is at least 90% of the property's fair value. According to the terms of the lease agreements, the first and second criteria are not met. For criteria three and four, the estimate is that at the end of the lease term the copiers will be refurbished by the lessor and leased in another capacity and payment amount to another lessee. This lease agreement is for a period of five years through December of 2013. The monthly payment for this lease agreement is \$4,015 which equals annual payments of \$48,180. The Town and the school department have a number of other operating type lease agreements which are not material in nature and therefore have not been included here.

Note 14 - Risk management, commitments and contingencies - other

The Town is at risk of loss due to items such as lawsuits, automobile claims, and theft. The Town has purchased commercial insurance coverage for any of these types of loss which may occur. The Town believes the amounts of coverage in force are adequate and in compliance with all applicable laws, rules, and regulations. The Town has not had any significant reductions in insurance coverage from the prior fiscal year by major category of risk. The amount of settlements have not exceeded insurance coverage during any of the previous three fiscal years.

The Town Clerk received notice pursuant to Connecticut general statute §7-465 of a potential action against the town for injuries received as a result of dog bites by dogs owned within the Town of Lebanon. A civil suit has not yet, as of the end of November 2011, been instituted against the Town. This matter has been referred to the Town's insurance company for defense in the event that a civil action is instituted against the Town. The Town denies any liability in this matter and intends to vigorously defend any action. A former employee of the Town has challenged her termination by claiming that the termination was due to the fact that she spoke out about perceived budget irregularities. The case is pending in Connecticut Superior Court and a response is not due until mid-December. The Town denies any liability in this matter.

The Board of Education of the Town has been named in two separate complaints filed with the Connecticut Commission on Human Rights and Opportunities by two former employees of the Board. These complaints relate to the terms under which both former employees left the employment of the Board and claim that their employment was ended because of their age, alleged disability and gender. In addition, a lawsuit by one of these former employees has been filed in the United States District Court for the District of Connecticut against the Board as well as current and former members of the management of the Board. The Board intends to vigorously defend each of these matters. A conclusion cannot be determined at this time as to the likelihood of an unfavorable outcome in these matters and in turn a range of any possible losses relating to these matters can also not be determined at this time.

The Town and the Board of Education have entered into a number of maintenance and service agreements which extend beyond the end of the current fiscal year. The Board of Education has entered into a one year contract for a general maintenance technician through June 30, 2012 at a total cost of \$95,680. The Board of Education has entered into a three year contract for a working facilities manager through June 30, 2014 at an annual cost of \$145,200, \$148,104 and \$149,988, respectively. The Board of Education has entered into a one year HVAC maintenance contract through June 30, 2012 at an annual cost of \$6,333. The Board of Education has entered into a one year facility management systems, temperature control and system support services contract through June 30, 2012 at an annual cost of \$16,400. The Board of Education has entered into a lawn care maintenance agreement through June 30, 2012 with an option to extend the contract for an additional two years at the first year annual cost of \$21,500. The Board of Education has entered into a bus transportation agreement with First Student, Inc. for the purpose of providing transportation services for the school children of the Town of Lebanon in compliance with local policies and legal requirements. This agreement runs from July 1, 2008 through June 30, 2013. Payment terms are based on specific daily and hourly rates for regular route hours and trips and non-route hours and trips. The Town has entered into a two year town buildings cleaning and maintenance contract for the Town hall, the community center and the fire safety complex through June 30, 2012 at an annual rate of \$25,200. The Town has entered into a two year town buildings cleaning and maintenance contract for the library through January 24, 2012 at an annual rate of \$4,680. The Town has entered into a two year cemetery maintenance contract through December 31, 2012 at an annual rate of \$10,800. The Town has entered into a two year lawn care maintenance agreement through December 31, 2012 at an annual rate of \$21,600. The Town and Board of Education also have a number of different construction and other contracts for various projects at various stages of completion. These construction and other contracts cover such activities as a number of bridge construction projects as well as the Amston Lake sewer project. The Town and Board of Education also have a number of smaller maintenance and service agreements. These agreements are considered individually immaterial. Additional information on these construction contracts and other agreements can be found at the administrative offices of both the Town and the Board of Education.

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2011

The Town participates in numerous Federal and State grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Town has not complied with the rules and regulations governing the grants, refunds of any monies received as of and through June 30, 2011 may be impaired. In the opinion of the management of the Town, there are no unrecorded significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants, therefore, no provision has been recorded in the accompanying basic financial statements for such possible contingencies. In addition, the Town occasionally books unbilled accounts receivable representing earned or recognized grant or contract dollars which have not yet been billed or received. Any subsequent modification or amendments to these grants or contracts could result in a loss to the Town. However, in the opinion of the management of the Town there are no unrecorded significant contingent liabilities in regard to these unbilled accounts receivable. Any material subsequent modifications or amendments would be shown by the Town as a restatement of the prior fiscal year results in which the applicable unbilled receivable had been booked.

Note 15 - Prior period adjustment

A prior period adjustment was made to the government-wide and the fund financial statements as of June 30, 2010 relating to the implementation of Government Accounting Standards Board (GASB) statement number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement was effective for fiscal periods beginning after June 15, 2010. This statement is intended to increase the usefulness of reported fund balance information by creating more distinct fund balance classification that will allow for a more consistent application of governmental fund type definitions and comparability among state and local governments. This new statement also redefined governmental funds and activities which should be classified and accounted for as special revenue funds. According to this new statement, special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term proceeds of specific revenue sources establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. The restricted or committed proceeds of the specific revenue sources should be expected to continue to make up a substantial portion of the resources flowing into the fund. Other financial resources such as investment income and transfers from other funds may also be reported within a special revenue fund as long as those resources are restricted, committed or assigned to the specified purpose of the fund.

The Town had a number of special revenue funds which were being used to account for scholarships and other funds which had been donated to the Town for specific purposes in which the entire amount and any earnings thereon could be expended. Since these funds were donated to the Town at specific times, the source of the revenues is not expected to continue on a regular basis and therefore they should no longer be classified and accounted for as special revenue funds. These individual funds were reclassified as private purpose trust funds as of June 30, 2010 with the government-wide net asset balance and the non-major special revenue fund balance amounts being decreased by \$85,429 and the private purpose trust fund net asset balance being increased by \$85,429. There were other related adjustments that needed to be made to the management discussion and analysis section of the financial statements to implement this prior period adjustment.

Note 16 - New accounting pronouncements

The Government Accounting Standards Board issues authoritative pronouncements that address certain accounting application and reporting practices of governmental entities. The following two pronouncements are applicable to the Town. The GASB has issued Statement No. 61, *The Financial Reporting Entity: Omnibus*. This statement is effective for fiscal periods beginning after June 15, 2012. This statement modifies certain requirements for inclusion of component units in the financial reporting entity and other related requirements. The effects of the implementation of this new statement will be seen, when applicable, within the financial statements of the Town for the fiscal year ending June 30, 2013. The GASB has issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement is effective for fiscal periods beginning after December 15, 2011. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the aforementioned FASB and AICPA pronouncements. The effects of the implementation of this new statement will be seen, when applicable, within the financial statements of the Town for the fiscal year ending June 30, 2013.

Note 17 - Subsequent events

The Town entered into a bond anticipation note agreement on October 4, 2011 in the amount of \$5,100,000. The proceeds of this loan were used to fund the Amston Lake Sewer project which is being account for within the town construction projects major fund of the Town within the fund financial statements. Under this bond anticipation note agreement, the entire principal amount plus interest at 1.00% is due on October 3, 2012. The total payment due at maturity will be \$5,150,858. The Town has evaluated subsequent events through February 15, 2012, the date to which the financial statements were available to be issued.

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major governmental funds
As of and for the year ended June 30, 2011

	Non-major special revenue funds	Non-major capital project funds	Non-major permanent funds	Totals
Assets				
Cash	\$ 1,129,230	\$ 16,980	\$ 320,395	\$ 1,466,605
Investments	-	-	24,981	24,981
Accounts and other receivables	602,116	18,351	-	620,467
Inventories and prepaid items	18,876	-	-	18,876
Due from other funds	734,396	28,468	-	762,864
Total assets	<u>2,484,618</u>	<u>63,799</u>	<u>345,376</u>	<u>2,893,793</u>
Liabilities				
Accounts payable	24,628	-	-	24,628
Other liabilities	22,234	13,548	-	35,782
Due to other funds	916,439	38,127	23,521	978,087
Total liabilities	<u>963,301</u>	<u>51,675</u>	<u>23,521</u>	<u>1,038,497</u>
Fund balance				
Nonspendable	9,060	-	322,270	331,330
Restricted	1,167,693	4,579	1,268	1,173,540
Committed	300,245	44,607	-	344,852
Assigned	107,100	-	-	107,100
Unassigned	-62,781	-37,062	-1,683	-101,526
Total fund balance	<u>1,521,317</u>	<u>12,124</u>	<u>321,855</u>	<u>1,855,296</u>
Total liabilities and fund balance	<u>\$ 2,484,618</u>	<u>\$ 63,799</u>	<u>\$ 345,376</u>	<u>\$ 2,893,793</u>
Revenues				
Property tax revenues	\$ 384,900	\$ 5,544	\$ -	\$ 390,444
Intergovernmental revenues	1,645,744	556,120	-	2,201,864
Interest and dividends	269	-	5,977	6,246
Charges for services	341,858	-	-	341,858
Miscellaneous	205,437	-	2,424	207,861
Total revenues	<u>2,578,208</u>	<u>561,664</u>	<u>8,401</u>	<u>3,148,273</u>
Expenditures				
Salary and wages	907,574	-	-	907,574
Program operating costs	1,635,752	-	4,790	1,640,542
Capital expenditures	-	554,082	-	554,082
Total expenditures	<u>2,543,326</u>	<u>554,082</u>	<u>4,790</u>	<u>3,102,198</u>
Excess (deficiency) of revenues over (under) expenditures	<u>34,882</u>	<u>7,582</u>	<u>3,611</u>	<u>46,075</u>
Other financing sources (uses)				
Transfers in	57,367	-	-	57,367
Transfers out	-52,186	-	-1,257	-53,443
Total other financing sources (uses)	<u>5,181</u>	<u>-</u>	<u>-1,257</u>	<u>3,924</u>
Net change in fund balance	40,063	7,582	2,354	49,999
Fund balance - July 1	<u>1,481,254</u>	<u>4,542</u>	<u>319,501</u>	<u>1,805,297</u>
Fund balance - June 30	<u>\$ 1,521,317</u>	<u>\$ 12,124</u>	<u>\$ 321,855</u>	<u>\$ 1,855,296</u>

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2011

	Lebanon public library	Lebanon recreation commission	Jonathan Trumbull Jr. house	Adams community center	Town improvement program	Senior vans program
Assets						
Cash	\$ -	\$ -	\$ 39,290	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-
Accounts and other receivables	2,699	-	1,093	1,836	-	-
Inventories and prepaid items	-	-	-	-	-	-
Due from other funds	36,273	41,530	17,509	28,551	63,750	93,412
Total assets	<u>38,972</u>	<u>41,530</u>	<u>57,892</u>	<u>30,387</u>	<u>63,750</u>	<u>93,412</u>
Liabilities						
Accounts payable	3,055	3,266	714	1,072	241	6,493
Other liabilities	5,533	3,527	356	-	-	1,441
Due to other funds	-	-	-	-	-	-
Total liabilities	<u>8,588</u>	<u>6,793</u>	<u>1,070</u>	<u>1,072</u>	<u>241</u>	<u>7,934</u>
Fund balance						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	30,384	34,737	56,822	29,315	63,509	85,478
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balance	<u>30,384</u>	<u>34,737</u>	<u>56,822</u>	<u>29,315</u>	<u>63,509</u>	<u>85,478</u>
Total liabilities and fund balance	<u>\$ 38,972</u>	<u>\$ 41,530</u>	<u>\$ 57,892</u>	<u>\$ 30,387</u>	<u>\$ 63,750</u>	<u>\$ 93,412</u>
Revenues						
Property tax revenues	\$ 225,000	\$ 32,500	\$ -	\$ 5,000	\$ 48,000	\$ 57,400
Intergovernmental revenues	2,663	-	-	-	-	31,774
Interest and dividends	-	-	121	-	-	-
Charges for services	-	49,402	-	1,850	-	4,048
Miscellaneous	17,787	-	14,014	-	-	-
Total revenues	<u>245,450</u>	<u>81,902</u>	<u>14,135</u>	<u>6,850</u>	<u>48,000</u>	<u>93,222</u>
Expenditures						
Salary and wages	147,185	29,551	7,165	-	-	37,170
Program operating costs	123,612	48,209	7,155	16,979	21,686	29,229
Capital expenditures	-	-	-	-	-	-
Total expenditures	<u>270,797</u>	<u>77,760</u>	<u>14,320</u>	<u>16,979</u>	<u>21,686</u>	<u>66,399</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-25,347</u>	<u>4,142</u>	<u>-185</u>	<u>-10,129</u>	<u>26,314</u>	<u>26,823</u>
Other financing sources (uses)						
Transfers in	23,531	-	11,140	18,309	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>23,531</u>	<u>-</u>	<u>11,140</u>	<u>18,309</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-1,816	4,142	10,955	8,180	26,314	26,823
Fund balance - July 1	<u>32,200</u>	<u>30,595</u>	<u>45,867</u>	<u>21,135</u>	<u>37,195</u>	<u>58,655</u>
Fund balance - June 30	<u>\$ 30,384</u>	<u>\$ 34,737</u>	<u>\$ 56,822</u>	<u>\$ 29,315</u>	<u>\$ 63,509</u>	<u>\$ 85,478</u>

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2011

	Lebanon dog fund	Trumbull donations fund	School lunch program	Housing rehab grant	Housing rehab income	Historic document preservation
Assets						
Cash	\$ -	\$ -	\$ 81,116	\$ 16,864	\$ 69	\$ -
Investments	-	-	-	-	-	-
Accounts and other receivables	-	-	15,790	-	573,695	-
Inventories and prepaid items	-	-	17,169	-	-	-
Due from other funds	-	243,963	3,743	-	12,207	15,215
Total assets	-	243,963	117,818	16,864	585,971	15,215
Liabilities						
Accounts payable	285	-	-	-	-	-
Other liabilities	-	-	9,816	-	-	-
Due to other funds	1,550	-	27,522	14,172	-	-
Total liabilities	1,835	-	37,338	14,172	-	-
Fund balance						
Nonspendable	-	-	7,353	-	-	-
Restricted	-	243,963	73,127	2,692	585,971	15,215
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-1,835	-	-	-	-	-
Total fund balance	-1,835	243,963	80,480	2,692	585,971	15,215
Total liabilities and fund balance	\$ -	\$ 243,963	\$ 117,818	\$ 16,864	\$ 585,971	\$ 15,215
Revenues						
Property tax revenues	\$ 17,000	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	108,975	25,000	-	3,000
Interest and dividends	-	-	-	-	-	-
Charges for services	2,975	-	273,528	-	-	2,822
Miscellaneous	9,639	-	7,599	-	22,550	-
Total revenues	29,614	-	390,102	25,000	22,550	5,822
Expenditures						
Salary and wages	-	-	235,903	-	-	-
Program operating costs	26,356	608	155,424	22,308	76,594	3,323
Capital expenditures	-	-	-	-	-	-
Total expenditures	26,356	608	391,327	22,308	76,594	3,323
Excess (deficiency) of revenues over (under) expenditures	3,258	-608	-1,225	2,692	-54,044	2,499
Other financing sources (uses)						
Transfers in	-	1	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	1	-	-	-	-
Net change in fund balance	3,258	-607	-1,225	2,692	-54,044	2,499
Fund balance - July 1	-5,093	244,570	81,705	-	640,015	12,716
Fund balance - June 30	\$ -1,835	\$ 243,963	\$ 80,480	\$ 2,692	\$ 585,971	\$ 15,215

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2011

	Locip surcharge assessment	Special ed excess costs grant	Unimproved town roads grant	Agriculture viability grant	Agriculture viability grant	Rails to trails grant
Assets						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-
Accounts and other receivables	-	-	-	-	-	-
Inventories and prepaid items	-	-	-	-	-	-
Due from other funds	28,483	-	56,167	1,040	-	-
Total assets	28,483	-	56,167	1,040	-	-
Liabilities						
Accounts payable	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Due to other funds	-	-	-	-	12,845	-
Total liabilities	-	-	-	-	12,845	-
Fund balance						
Nonspendable	-	-	-	-	-	-
Restricted	28,483	-	56,167	1,040	-	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-12,845	-
Total fund balance	28,483	-	56,167	1,040	-12,845	-
Total liabilities and fund balance	\$ 28,483	\$ -	\$ 56,167	\$ 1,040	\$ -	\$ -
Revenues						
Property tax revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	497,906	48,689	23,428	-	59,110
Interest and dividends	-	-	-	-	-	-
Charges for services	4,233	-	-	-	-	-
Miscellaneous	-	-	-	-	-	40
Total revenues	4,233	497,906	48,689	23,428	-	59,150
Expenditures						
Salary and wages	-	-	-	-	-	-
Program operating costs	-	497,906	38,788	27,134	12,845	59,110
Capital expenditures	-	-	-	-	-	-
Total expenditures	-	497,906	38,788	27,134	12,845	59,110
Excess (deficiency) of revenues over (under) expenditures	4,233	-	9,901	-3,706	-12,845	40
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balance	4,233	-	9,901	-3,706	-12,845	40
Fund balance - July 1	24,250	-	46,266	4,746	-	-40
Fund balance - June 30	\$ 28,483	\$ -	\$ 56,167	\$ 1,040	\$ -12,845	\$ -

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2011

	Energy efficiency grant	Homeland security grant	Emergency management grant	Justice assistance grant	Equipment training grant	Clean energy grant
Assets						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-
Accounts and other receivables	-	-	-	-	-	-
Inventories and prepaid items	-	-	-	-	-	-
Due from other funds	-	-	648	-	255	-
Total assets	-	-	648	-	255	-
Liabilities						
Accounts payable	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Due to other funds	9,628	-	-	-	-	-
Total liabilities	9,628	-	-	-	-	-
Fund balance						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	648	-	255	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-9,628	-	-	-	-	-
Total fund balance	-9,628	-	648	-	255	-
Total liabilities and fund balance	\$ -	\$ -	\$ 648	\$ -	\$ 255	\$ -
Revenues						
Property tax revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	1,910	2,354	-	-
Interest and dividends	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Miscellaneous	-	2,993	-	-	-	-
Total revenues	-	2,993	1,910	2,354	-	-
Expenditures						
Salary and wages	-	-	3,194	-	-	-
Program operating costs	9,628	-	1,908	2,354	-	1,593
Capital expenditures	-	-	-	-	-	-
Total expenditures	9,628	-	5,102	2,354	-	1,593
Excess (deficiency) of revenues over (under) expenditures	-9,628	2,993	-3,192	-	-	-1,593
Other financing sources (uses)						
Transfers in	-	-	3,840	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	3,840	-	-	-
Net change in fund balance	-9,628	2,993	648	-	-	-1,593
Fund balance - July 1	-	-2,993	-	-	255	1,593
Fund balance - June 30	\$ -9,628	\$ -	\$ 648	\$ -	\$ 255	\$ -

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2011

	State aid drug abuse grant	CL&P substation grant	Vo-ag equipment grant	Warm hearts donations fund	Senior center donations fund	Misc donations fund
Assets						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-
Accounts and other receivables	-	-	-	-	-	-
Inventories and prepaid items	-	-	-	-	-	-
Due from other funds	628	-	-	15,717	9,710	2,019
Total assets	628	-	-	15,717	9,710	2,019
Liabilities						
Accounts payable	-	-	-	455	-	-
Other liabilities	-	-	-	-	-	-
Due to other funds	-	-	27,749	-	-	-
Total liabilities	-	-	27,749	455	-	-
Fund balance						
Nonspendable	-	-	-	-	-	-
Restricted	628	-	-	15,262	9,710	2,019
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-27,749	-	-	-
Total fund balance	628	-	-27,749	15,262	9,710	2,019
Total liabilities and fund balance	\$ 628	\$ -	\$ -	\$ 15,717	\$ 9,710	\$ 2,019
Revenues						
Property tax revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-	-	-
Interest and dividends	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Miscellaneous	-	135	-	6,521	6,756	2,300
Total revenues	-	135	-	6,521	6,756	2,300
Expenditures						
Salary and wages	-	-	-	-	-	-
Program operating costs	-	-	-	6,131	2,995	1,650
Capital expenditures	-	-	-	-	-	-
Total expenditures	-	-	-	6,131	2,995	1,650
Excess (deficiency) of revenues over (under) expenditures	-	135	-	390	3,761	650
Other financing sources (uses)						
Transfers in	-	-	-	546	-	-
Transfers out	-	-	-	-	-	-546
Total other financing sources (uses)	-	-	-	546	-	-546
Net change in fund balance	-	135	-	936	3,761	104
Fund balance - July 1	628	-135	-27,749	14,326	5,949	1,915
Fund balance - June 30	\$ 628	\$ -	\$ -27,749	\$ 15,262	\$ 9,710	\$ 2,019

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2011

	Town dental fund	Summer dance fest fund	Cemetery lots fund	Historic buildings fund	Adams tree fund	Anthem demutual. proceeds
Assets						
Cash	\$ 2,061	\$ -	\$ 37,977	\$ 10,098	\$ -	\$ -
Investments	-	-	-	-	-	-
Accounts and other receivables	-	-	-	-	-	-
Inventories and prepaid items	-	-	-	-	-	-
Due from other funds	-	12,666	46,359	-	-	-
Total assets	2,061	12,666	84,336	10,098	-	-
Liabilities						
Accounts payable	-	-	-	-	-	-
Other liabilities	1,561	-	-	-	-	-
Due to other funds	500	-	-	-	-	-
Total liabilities	2,061	-	-	-	-	-
Fund balance						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	-	-	-	-	-	-
Assigned	-	12,666	84,336	10,098	-	-
Unassigned	-	-	-	-	-	-
Total fund balance	-	12,666	84,336	10,098	-	-
Total liabilities and fund balance	\$ 2,061	\$ 12,666	\$ 84,336	\$ 10,098	\$ -	\$ -
Revenues						
Property tax revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-	-	-
Interest and dividends	-	-	117	31	-	-
Charges for services	-	-	3,000	-	-	-
Miscellaneous	-	13,799	-	-	-	-
Total revenues	-	13,799	3,117	31	-	-
Expenditures						
Salary and wages	-	-	-	-	-	-
Program operating costs	-	12,393	-	-	-	-
Capital expenditures	-	-	-	-	-	-
Total expenditures	-	12,393	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	1,406	3,117	31	-	-
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-1	-51,639
Total other financing sources (uses)	-	-	-	-	-1	-51,639
Net change in fund balance	-	1,406	3,117	31	-1	-51,639
Fund balance - July 1	-	11,260	81,219	10,067	1	51,639
Fund balance - June 30	\$ -	\$ 12,666	\$ 84,336	\$ 10,098	\$ -	\$ -

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2011

	LES activity accounts	LMS activity accounts	LHS activity accounts	School educational grants	Totals
Assets					
Cash	\$ 20,992	\$ 28,702	\$ 16,847	\$ 875,214	\$ 1,129,230
Investments	-	-	-	-	-
Accounts and other receivables	-	-	-	7,003	602,116
Inventories and prepaid items	-	-	-	1,707	18,876
Due from other funds	-	-	-	4,551	734,396
Total assets	<u>20,992</u>	<u>28,702</u>	<u>16,847</u>	<u>888,475</u>	<u>2,484,618</u>
Liabilities					
Accounts payable	-	-	-	9,047	24,628
Other liabilities	-	-	-	-	22,234
Due to other funds	-	-	-	822,473	916,439
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>831,520</u>	<u>963,301</u>
Fund balance					
Nonspendable	-	-	-	1,707	9,060
Restricted	20,992	28,702	16,847	65,972	1,167,693
Committed	-	-	-	-	300,245
Assigned	-	-	-	-	107,100
Unassigned	-	-	-	-10,724	-62,781
Total fund balance	<u>20,992</u>	<u>28,702</u>	<u>16,847</u>	<u>56,955</u>	<u>1,521,317</u>
Total liabilities and fund balance	<u>\$ 20,992</u>	<u>\$ 28,702</u>	<u>\$ 16,847</u>	<u>\$ 888,475</u>	<u>\$ 2,484,618</u>
Revenues					
Property tax revenues	\$ -	\$ -	\$ -	\$ -	\$ 384,900
Intergovernmental revenues	-	-	-	840,935	1,645,744
Interest and dividends	-	-	-	-	269
Charges for services	-	-	-	-	341,858
Miscellaneous	27,458	28,801	39,510	5,535	205,437
Total revenues	<u>27,458</u>	<u>28,801</u>	<u>39,510</u>	<u>846,470</u>	<u>2,578,208</u>
Expenditures					
Salary and wages	-	-	-	447,406	907,574
Program operating costs	18,504	24,978	37,278	349,074	1,635,752
Capital expenditures	-	-	-	-	-
Total expenditures	<u>18,504</u>	<u>24,978</u>	<u>37,278</u>	<u>796,480</u>	<u>2,543,326</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,954</u>	<u>3,823</u>	<u>2,232</u>	<u>49,990</u>	<u>34,882</u>
Other financing sources (uses)					
Transfers in	-	-	-	-	57,367
Transfers out	-	-	-	-	-52,186
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,181</u>
Net change in fund balance	8,954	3,823	2,232	49,990	40,063
Fund balance - July 1	<u>12,038</u>	<u>24,879</u>	<u>14,615</u>	<u>6,965</u>	<u>1,481,254</u>
Fund balance - June 30	<u>\$ 20,992</u>	<u>\$ 28,702</u>	<u>\$ 16,847</u>	<u>\$ 56,955</u>	<u>\$ 1,521,317</u>

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major capital project funds
As of and for the year ended June 30, 2011

	Lake Williams project	Town bridge grants	Alden tavern grant	DOT fix it first bridge grant	Totals
Assets					
Cash	\$ 16,980	\$ -	\$ -	\$ -	\$ 16,980
Investments	-	-	-	-	-
Accounts and other receivables	13,548	-	4,803	-	18,351
Inventories and prepaid items	-	-	-	-	-
Due from other funds	27,627	841	-	-	28,468
Total assets	<u>58,155</u>	<u>841</u>	<u>4,803</u>	<u>-</u>	<u>63,799</u>
Liabilities					
Accounts payable	-	-	-	-	-
Other liabilities	13,548	-	-	-	13,548
Due to other funds	-	35,363	224	2,540	38,127
Total liabilities	<u>13,548</u>	<u>35,363</u>	<u>224</u>	<u>2,540</u>	<u>51,675</u>
Fund balance					
Nonspendable	-	-	-	-	-
Restricted	-	-	4,579	-	4,579
Committed	44,607	-	-	-	44,607
Assigned	-	-	-	-	-
Unassigned	-	-34,522	-	-2,540	-37,062
Total fund balance	<u>44,607</u>	<u>-34,522</u>	<u>4,579</u>	<u>-2,540</u>	<u>12,124</u>
Total liabilities and fund balance	<u>\$ 58,155</u>	<u>\$ 841</u>	<u>\$ 4,803</u>	<u>\$ -</u>	<u>\$ 63,799</u>
Revenues					
Property tax revenues	\$ 5,544	\$ -	\$ -	\$ -	\$ 5,544
Intergovernmental revenues	-	-	54,494	501,626	556,120
Interest and dividends	-	-	-	-	-
Charges for services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>5,544</u>	<u>-</u>	<u>54,494</u>	<u>501,626</u>	<u>561,664</u>
Expenditures					
Salary and wages	-	-	-	-	-
Program operating costs	-	-	-	-	-
Capital expenditures	-	-	49,916	504,166	554,082
Total expenditures	<u>-</u>	<u>-</u>	<u>49,916</u>	<u>504,166</u>	<u>554,082</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,544</u>	<u>-</u>	<u>4,578</u>	<u>-2,540</u>	<u>7,582</u>
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	5,544	-	4,578	-2,540	7,582
Fund balance - July 1	<u>39,063</u>	<u>-34,522</u>	<u>1</u>	<u>-</u>	<u>4,542</u>
Fund balance - June 30	<u>\$ 44,607</u>	<u>\$ -34,522</u>	<u>\$ 4,579</u>	<u>\$ -2,540</u>	<u>\$ 12,124</u>

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major permanent funds
As of and for the year ended June 30, 2011

	Cummings scholarship	George Lyman fund	Cemetery perpetual care	Helen Rodgers scholarship	Waterman Wilson library fund	Flora Williams library fund
Assets						
Cash	\$ 208,602	\$ 47,705	\$ 11,735	\$ 10,743	\$ -	\$ 7,819
Investments	-	-	-	-	9,328	-
Accounts and other receivables	-	-	-	-	-	-
Inventories and prepaid items	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total assets	208,602	47,705	11,735	10,743	9,328	7,819
Liabilities						
Accounts payable	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Due to other funds	12,848	5,000	1,194	818	968	819
Total liabilities	12,848	5,000	1,194	818	968	819
Fund balance						
Nonspendable	197,045	42,705	10,541	10,000	8,360	7,000
Restricted	-	-	-	-	-	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-1,291	-	-	-75	-	-
Total fund balance	195,754	42,705	10,541	9,925	8,360	7,000
Total liabilities and fund balance	\$ 208,602	\$ 47,705	\$ 11,735	\$ 10,743	\$ 9,328	\$ 7,819
Revenues						
Property tax revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-	-	-
Interest and dividends	3,896	877	96	201	115	143
Net change in investment fair value	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	3,896	877	96	201	115	143
Expenditures						
Salary and wages	-	-	-	-	-	-
Program operating costs	4,000	-	-	200	-	-
Capital expenditures	-	-	-	-	-	-
Total expenditures	4,000	-	-	200	-	-
Excess (deficiency) of revenues over (under) expenditures	-104	877	96	1	115	143
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-877	-96	-	-115	-143
Total other financing sources (uses)	-	-877	-96	-	-115	-143
Net change in fund balance	-104	-	-	1	-	-
Fund balance - July 1	195,858	42,705	10,541	9,924	8,360	7,000
Fund balance - June 30	\$ 195,754	\$ 42,705	\$ 10,541	\$ 9,925	\$ 8,360	\$ 7,000

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major permanent funds
As of and for the year ended June 30, 2011

	Town deposit fund	Lebanon school prizes	Royal O. Woodard scholarship	Dorothy Hinckley scholarship	Elizabeth Grant scholarship	EL Reichard nursing scholarship
Assets						
Cash	\$ 6,566	\$ 6,813	\$ 6,486	\$ -	\$ 4,600	\$ 3,132
Investments	-	-	-	6,024	-	-
Accounts and other receivables	-	-	-	-	-	-
Inventories and prepaid items	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total assets	6,566	6,813	6,486	6,024	4,600	3,132
Liabilities						
Accounts payable	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Due to other funds	4	512	485	-	351	245
Total liabilities	4	512	485	-	351	245
Fund balance						
Nonspendable	6,562	6,400	6,050	5,000	4,285	3,000
Restricted	-	-	-	1,024	-	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-99	-49	-	-36	-113
Total fund balance	6,562	6,301	6,001	6,024	4,249	2,887
Total liabilities and fund balance	\$ 6,566	\$ 6,813	\$ 6,486	\$ 6,024	\$ 4,600	\$ 3,132
Revenues						
Property tax revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-	-	-
Interest and dividends	3	128	121	26	86	60
Net change in investment fair value	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	3	128	121	26	86	60
Expenditures						
Salary and wages	-	-	-	-	-	-
Program operating costs	-	180	125	-	90	150
Capital expenditures	-	-	-	-	-	-
Total expenditures	-	180	125	-	90	150
Excess (deficiency) of revenues over (under) expenditures	3	-52	-4	26	-4	-90
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-3	-	-	-	-	-
Total other financing sources (uses)	-3	-	-	-	-	-
Net change in fund balance	-	-52	-4	26	-4	-90
Fund balance - July 1	6,562	6,353	6,005	5,998	4,253	2,977
Fund balance - June 30	\$ 6,562	\$ 6,301	\$ 6,001	\$ 6,024	\$ 4,249	\$ 2,887

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major permanent funds
As of and for the year ended June 30, 2011

	Flora Williams scholarship	Local school fund	Vernon Boothby library	William Taylor cemetery	Oliver & Lucille Manning	Totals
Assets						
Cash	\$ 2,140	\$ 1,937	\$ 1,000	\$ 1,117	\$ -	\$ 320,395
Investments	-	-	-	-	9,629	24,981
Accounts and other receivables	-	-	-	-	-	-
Inventories and prepaid items	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total assets	<u>2,140</u>	<u>1,937</u>	<u>1,000</u>	<u>1,117</u>	<u>9,629</u>	<u>345,376</u>
Liabilities						
Accounts payable	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Due to other funds	160	-	-	117	-	23,521
Total liabilities	<u>160</u>	<u>-</u>	<u>-</u>	<u>117</u>	<u>-</u>	<u>23,521</u>
Fund balance						
Nonspendable	2,000	1,937	1,000	1,000	9,385	322,270
Restricted	-	-	-	-	244	1,268
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-20	-	-	-	-	-1,683
Total fund balance	<u>1,980</u>	<u>1,937</u>	<u>1,000</u>	<u>1,000</u>	<u>9,629</u>	<u>321,855</u>
Total liabilities and fund balance	<u>\$ 2,140</u>	<u>\$ 1,937</u>	<u>\$ 1,000</u>	<u>\$ 1,117</u>	<u>\$ 9,629</u>	<u>\$ 345,376</u>
Revenues						
Property tax revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-	-	-
Interest and dividends	40	2	1	20	162	5,977
Net change in investment fair value	-	-	-	-	2,424	2,424
Miscellaneous	-	-	-	-	-	-
Total revenues	<u>40</u>	<u>2</u>	<u>1</u>	<u>20</u>	<u>2,586</u>	<u>8,401</u>
Expenditures						
Salary and wages	-	-	-	-	-	-
Program operating costs	45	-	-	-	-	4,790
Capital expenditures	-	-	-	-	-	-
Total expenditures	<u>45</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,790</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-5</u>	<u>2</u>	<u>1</u>	<u>20</u>	<u>2,586</u>	<u>3,611</u>
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-2	-1	-20	-	-1,257
Total other financing sources (uses)	<u>-</u>	<u>-2</u>	<u>-1</u>	<u>-20</u>	<u>-</u>	<u>-1,257</u>
Net change in fund balance	<u>-5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,586</u>	<u>2,354</u>
Fund balance - July 1	<u>1,985</u>	<u>1,937</u>	<u>1,000</u>	<u>1,000</u>	<u>7,043</u>	<u>319,501</u>
Fund balance - June 30	<u>\$ 1,980</u>	<u>\$ 1,937</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 9,629</u>	<u>\$ 321,855</u>

Town of Lebanon, Connecticut
Combining Statement of fiduciary net assets and Statement
of changes in fiduciary net assets - Private purpose trusts
As of and for the year ended June 30, 2011

	Jared Hinckley scholarship	Kalmon Kurcinik scholarship	Mary Chase fund	Robert L. Hanover scholarship	Richard Woyasz scholarship
Assets					
Cash	\$ -	\$ -	\$ 7,957	\$ -	\$ -
Investments	50,010	9,203	-	2,157	1,369
Accounts and other receivables	-	-	-	-	-
Inventories and prepaid items	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	<u>50,010</u>	<u>9,203</u>	<u>7,957</u>	<u>2,157</u>	<u>1,369</u>
Liabilities					
Accounts payable	-	-	-	-	-
Other liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets					
Restricted					
Expendable	50,010	9,203	7,957	2,157	1,369
Non-expendable	-	-	-	-	-
Unrestricted	-	-	-	-	-
Total net assets	<u>50,010</u>	<u>9,203</u>	<u>7,957</u>	<u>2,157</u>	<u>1,369</u>
Total liabilities and net assets	<u>\$ 50,010</u>	<u>\$ 9,203</u>	<u>\$ 7,957</u>	<u>\$ 2,157</u>	<u>\$ 1,369</u>
Additions:					
Property tax revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-	-
Interest and dividends	349	45	17	11	18
Net change in investment fair value	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total additions	<u>349</u>	<u>45</u>	<u>17</u>	<u>11</u>	<u>18</u>
Deductions:					
Salary and wages	-	-	-	-	-
Program operating costs	351	350	-	350	165
Capital expenditures	-	-	-	-	-
Total deductions	<u>351</u>	<u>350</u>	<u>-</u>	<u>350</u>	<u>165</u>
Change in net assets	-2	-305	17	-339	-147
Net assets - July 1	<u>50,012</u>	<u>9,508</u>	<u>7,940</u>	<u>2,496</u>	<u>1,516</u>
Net assets - June 30	<u>\$ 50,010</u>	<u>\$ 9,203</u>	<u>\$ 7,957</u>	<u>\$ 2,157</u>	<u>\$ 1,369</u>

Town of Lebanon, Connecticut
Combining Statement of fiduciary net assets and Statement
of changes in fiduciary net assets - Private purpose trusts
As of and for the year ended June 30, 2011

	Flegert Ausberger library	Nichols Trahan scholarship	Town school prizes	Totals
Assets				
Cash	\$ 2,456	\$ -	\$ 1,773	\$ 12,186
Investments	-	9,267	-	72,006
Accounts and other receivables	-	-	-	-
Inventories and prepaid items	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>2,456</u>	<u>9,267</u>	<u>1,773</u>	<u>84,192</u>
Liabilities				
Accounts payable	-	-	-	-
Other liabilities	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets				
Restricted				
Expendable	2,456	9,267	1,773	84,192
Non-expendable	-	-	-	-
Unrestricted	-	-	-	-
Total net assets	<u>2,456</u>	<u>9,267</u>	<u>1,773</u>	<u>84,192</u>
Total liabilities and net assets	<u>\$ 2,456</u>	<u>\$ 9,267</u>	<u>\$ 1,773</u>	<u>\$ 84,192</u>
Additions:				
Property tax revenues	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-
Interest and dividends	6	29	4	479
Net change in investment fair value	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	<u>6</u>	<u>29</u>	<u>4</u>	<u>479</u>
Deductions:				
Salary and wages	-	-	-	-
Program operating costs	-	500	-	1,716
Capital expenditures	-	-	-	-
Total deductions	<u>-</u>	<u>500</u>	<u>-</u>	<u>1,716</u>
Change in net assets	6	-471	4	-1,237
Net assets - July 1	<u>2,450</u>	<u>9,738</u>	<u>1,769</u>	<u>85,429</u>
Net assets - June 30	<u>\$ 2,456</u>	<u>\$ 9,267</u>	<u>\$ 1,773</u>	<u>\$ 84,192</u>

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Town construction projects
As of and for the year ended June 30, 2011

	LES building project	LMS building project	Fire safety complex	Senior center complex	Amston lake sewer project	Totals
Assets						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-
Accounts and other receivables	-	-	-	-	-	-
Inventories and prepaid items	-	-	-	-	-	-
Due from other funds	-	-	11,641	-	47,127	58,768
Total assets	-	-	11,641	-	47,127	58,768
Liabilities						
Accounts payable	-	-	-	-	32,482	32,482
Other liabilities	-	-	-	-	-	-
Due to other funds	582,883	187,303	-	1,894	-	772,080
Total liabilities	582,883	187,303	-	1,894	32,482	804,562
Fund balance						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	-	-	11,641	-	14,645	26,286
Assigned	-	-	-	-	-	-
Unassigned	-582,883	-187,303	-	-1,894	-	-772,080
Total fund balance	-582,883	-187,303	11,641	-1,894	14,645	-745,794
Total liabilities and fund balance	\$ -	\$ -	\$ 11,641	\$ -	\$ 47,127	\$ 58,768
Revenues						
Property tax revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-	-	-
Interest and dividends	-	-	-	-	-	-
Net change in investment fair value	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	-	-	-	-	-	-
Expenditures						
Salary and wages	-	-	-	-	-	-
Program operating costs	2,977	957	-	-	-	3,934
Capital expenditures	-	-	-	-	385,355	385,355
Total expenditures	2,977	957	-	-	385,355	389,289
Excess (deficiency) of revenues over (under) expenditures	-2,977	-957	-	-	-385,355	-389,289
Other financing sources (uses)						
Transfers in	-	-	-	-	400,000	400,000
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	400,000	400,000
Net change in fund balance	-2,977	-957	-	-	14,645	10,711
Fund balance - July 1	-579,906	-186,346	11,641	-1,894	-	-756,505
Fund balance - June 30	\$ -582,883	\$ -187,303	\$ 11,641	\$ -1,894	\$ 14,645	\$ -745,794

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Trumbull Investments fund
As of and for the year ended June 30, 2011

	Jonathan Trumbull Jr. library fund	Adams community center fund	Jonathan Trumbull Jr. house fund	Totals
Assets				
Cash	\$ -	\$ -	\$ -	\$ -
Investments	920,730	555,192	374,290	1,850,212
Accounts and other receivables	-	-	-	-
Inventories and prepaid items	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>920,730</u>	<u>555,192</u>	<u>374,290</u>	<u>1,850,212</u>
Liabilities				
Accounts payable	-	-	-	-
Other liabilities	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance				
Nonspendable	-	-	-	-
Restricted	920,730	555,192	374,290	1,850,212
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balance	<u>920,730</u>	<u>555,192</u>	<u>374,290</u>	<u>1,850,212</u>
Total liabilities and fund balance	<u>\$ 920,730</u>	<u>\$ 555,192</u>	<u>\$ 374,290</u>	<u>\$ 1,850,212</u>
Revenues				
Property tax revenues	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-
Interest and dividends	23,272	18,309	11,140	52,721
Net change in investment fair value	223,656	115,293	67,863	406,812
Miscellaneous	-	-	-	-
Total revenues	<u>246,928</u>	<u>133,602</u>	<u>79,003</u>	<u>459,533</u>
Expenditures				
Salary and wages	-	-	-	-
Program operating costs	65	65	65	195
Capital expenditures	-	-	-	-
Total expenditures	<u>65</u>	<u>65</u>	<u>65</u>	<u>195</u>
Excess (deficiency) of revenues over (under) expenditures	<u>246,863</u>	<u>133,537</u>	<u>78,938</u>	<u>459,338</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-23,272	-18,309	-11,140	-52,721
Total other financing sources (uses)	<u>-23,272</u>	<u>-18,309</u>	<u>-11,140</u>	<u>-52,721</u>
Net change in fund balance	223,591	115,228	67,798	406,617
Fund balance - July 1	<u>697,139</u>	<u>439,964</u>	<u>306,492</u>	<u>1,443,595</u>
Fund balance - June 30	<u>\$ 920,730</u>	<u>\$ 555,192</u>	<u>\$ 374,290</u>	<u>\$ 1,850,212</u>

Town of Lebanon, Connecticut
 Schedule of property taxes levied,
 collections, and outstanding balances
 For the year ended June 30, 2011

Grand list	Uncollected taxes 06/30/10	Current year taxes levied	Lawful corrections		Net taxes collectable
			Additions	Deductions	
2009	\$ -	\$ 14,564,846	\$ 17,438	\$ -50,125	\$ 14,532,159
2008	349,174	-	2,355	-8,365	343,164
2007	107,742	-	-	-833	106,909
2006	25,549	-	-	-121	25,428
2005	7,881	-	-	-	7,881
2004	3,124	-	-	-	3,124
2003	688	-	-	-	688
2002	249	-	-	-	249
2001	154	-	-	-	154
2000	148	-	-	-	148
1999	42	-	-	-	42
1998	71	-	-	-	71
1997	71	-	-	-	71
1996	75	-	-	-	75
1995	-	-	-	-	-
	<u>\$ 494,968</u>	<u>\$ 14,564,846</u>	<u>\$ 19,793</u>	<u>\$ -59,444</u>	<u>\$ 15,020,163</u>

Town of Lebanon, Connecticut
 Schedule of property taxes levied,
 collections, and outstanding balances
 For the year ended June 30, 2011

Grand list	Collections during the fiscal year				Total	Adjustments	Uncollected taxes 06/30/11
	Taxes	Interest	Lien fees				
2009	\$ 14,245,466	\$ 69,836	\$ 1,044		\$ 14,316,346	\$ -	\$ 286,693
2008	252,762	55,968	2,619		311,349	-	90,402
2007	55,690	18,497	1,836		76,023	-32,028	19,191
2006	8,299	3,228	336		11,863	-4,107	13,022
2005	1,292	1,105	48		2,445	-	6,589
2004	1,396	1,223	324		2,943	-	1,728
2003	-	-	-		-	-	688
2002	-	-	-		-	-	249
2001	-	-	-		-	-	154
2000	-	-	-		-	-	148
1999	-	-	-		-	-	42
1998	-	-	-		-	-	71
1997	-	-	-		-	-	71
1996	-	-	-		-	-	75
1995	-	-	-		-	-	-
	<u>\$ 14,564,905</u>	<u>\$ 149,857</u>	<u>\$ 6,207</u>		<u>\$ 14,720,969</u>	<u>\$ -36,135</u>	<u>\$ 419,123</u>

A - This schedule is in effect designed to be shown on the cash basis of accounting whereas it shows the amount being received against tax years as revenues when in effect they represent a reduction in the asset account for each outstanding tax year. As a result, the total collections balance shown above will not tie out to the property taxes, interest, and liens revenue balance on Statement D, Statement E, or Sub-Schedule D. However, the following is a reconciliation of selected balances from this schedule to the amount shown on Statement D, Statement E, and Sub-Schedule D.

\$ 14,564,846	Current year taxes levied from page 58
149,857	Tax interest collections during the current fiscal year from above
5,191	Suspense interest collections during the current fiscal year
6,207	Tax lien fee collections during the current fiscal year from above
5,381	Suspense principle balance collections during the current fiscal year
-36,135	Account balances transferred to suspense during the current fiscal year from above
-39,651	The net lawful corrections made during the current fiscal year from page 58
50,174	The deferred tax revenue adjustment made as described in item number 2 on page 15
<u>14,705,870</u>	Property taxes, interest, and liens per Statement E
<u>5,544</u>	Lake Williams assessment principal and interest collections
<u>\$ 14,711,414</u>	Property taxes, interest, and liens per Statement D and Sub-Schedule D

B - Operation of Law - No tax can be collected 15 years after the original due date.

C - Taxes transferred (to) and from suspense. Though tax balances are transferred from active status to suspense status they remain collectible. During the current fiscal year \$5,381 was collected on principle suspense tax balances owed and \$5,191 of interest was collected on principle suspense tax balances owed. A certificate of correction was completed for taxes which had already been transferred to suspense during the current fiscal year in the amount of a \$123 decrease. One suspense tax year was affected by this correction.

Town of Lebanon, Connecticut
 Schedule of debt limitation
 Connecticut General Statutes, Section 7-374 (b)
 For the year ended June 30, 2011

Total tax collections (including interest and lien fees) for the current fiscal year.	\$ 14,711,414
Total tax collections (including interest and lien fees) of city, borough and all other taxing districts within the Town for the current fiscal year.	223,086
Reimbursement for revenue loss on: Tax relief for the elderly - (CGS 12-129d)	<u>28,703</u>
Total base	<u><u>\$ 14,963,203</u></u>

Debt limitation:	General purposes	Schools	Sewers	Urban renewal	Pension deficit
2 1/4 times base	\$ 33,667,207	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	67,334,414	-	-	-
3 3/4 times base	-	-	56,112,011	-	-
3 1/4 times base	-	-	-	48,630,410	-
3 times base	-	-	-	-	44,889,609
Total debt limitation	<u>33,667,207</u>	<u>67,334,414</u>	<u>56,112,011</u>	<u>48,630,410</u>	<u>44,889,609</u>

Indebtedness:

Bonds payable	1,133,813	3,132,000	-	-	-
Bonds authorized and unissued	630,000	8,296,724	6,550,000	-	-
Notes payable	-	-	-	-	-
Capital leases payable	-	-	-	-	-
Accrued compensated absences:					
School employees	-	67,122	-	-	-
Town employees	29,705	-	-	-	-
Accrued post closure landfill costs	100,631	-	-	-	-
Total indebtedness	<u>1,894,149</u>	<u>11,495,846</u>	<u>6,550,000</u>	<u>-</u>	<u>-</u>

Debt limitation in excess of outstanding and authorized debt	<u><u>\$ 31,773,058</u></u>	<u><u>\$ 55,838,568</u></u>	<u><u>\$ 49,562,011</u></u>	<u><u>\$ 48,630,410</u></u>	<u><u>\$ 44,889,609</u></u>
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Note: In no case shall total indebtedness exceed seven times annual receipts from taxation. The maximum amount permitted under this formula would be \$104,742,421 which is well above the \$19,939,995 current amount of outstanding and authorized and unissued debt of the Town. The authorized but unissued bond amounts relating to the school as of June 30, 2011 are made up of \$964,150 for middle school boiler replacement and heating system renovations, \$360,000 for improvements to various school facilities and \$6,972,574 for the elementary and middle school projects. The authorized but unissued bond amounts relating to general purpose items as of June 30, 2011 equal \$630,000 for the fire safety complex. The authorized and unissued bond amounts relating to sewers as of June 30, 2011 relate to the Amston Lake Sewer project. These authorized and unissued bond amounts have been included above due to the fact that the Town's interpretation that the reasons for excluding certain types of debt from inclusion in this schedule as outlined in the Connecticut General Statutes Section 7-374(b), do not apply to these items of authorized and unissued bond amounts. The taxing districts within the Town include the Amston Lake Tax District and the Lake Williams Beach Association.

Town of Lebanon, Connecticut
Schedule of expenditures of federal awards
For the year ended June 30, 2011

Federal grantor Pass-through grantor Program title	Federal CFDA number	Pass-through grantor number	Federal expenditures
U.S. Department of Agriculture			
Passed through the State of Connecticut - Department of Education			
Child nutrition cluster:			
School breakfast program	10.553	12060-SDE64370-20508-2010 12060-SDE64370-20508-2011	\$ 4,468 9,243
School lunch program	10.555	12060-SDE64370-20560-2010 12060-SDE64370-20560-2011	25,078 53,512
School milk program	10.556	12060-SDE64370-20500-2010 12060-SDE64370-20500-2011	598 933
Total U.S. Department of Agriculture			<u>93,832</u>
U.S. Department of Housing and Urban Development			
Passed through the State of Connecticut - Department of Economic and Community Development			
Small cities program - Housing rehabilitation loan program			
	14.228	12060-ECD46350-20730-2011	<u>22,308</u>
U.S. Department of Justice			
Passed through the State of Connecticut - Office of Policy and Management			
Recovery act - Justice assistance grant	16.803	12060-OPM20350-29002-2009	<u>2,354</u>
U.S. Department of Transportation			
Highway Planning and Construction Cluster: Passed through the State of Connecticut - Department of Environmental Protection			
Recreational trails program	20.219	12060-DEP44321-20296-2011	<u>59,110</u>
U.S. Department of Energy			
Passed through the State of Connecticut - Office of Policy and Management			
Energy efficiency and conservation block grant	81.128	12060-OPM20810-29009-2009	<u>9,628</u>
U.S. Department of Homeland Security			
Passed through the State of Connecticut - Department of Emergency Management and Homeland Security			
Emergency management performance grant	97.042	12060-EHS99620-21881-2008 12060-EHS99660-21881-2010	9,713 1,910 <u>11,623</u>

Town of Lebanon, Connecticut
Schedule of expenditures of federal awards (continued)
For the year ended June 30, 2011

Federal grantor Pass-through grantor Program title	Federal CFDA number	Pass-through grantor number	Federal expenditures
U.S. Department of Education			
Passed through the State of Connecticut - Department of Education			
Title I Part A Cluster:			
Title I - Improving basic programs	84.010	12060-SDE64370-20679-2011	\$ 55,416
Title II Part A - Improving teacher quality	84.367	12060-SDE64370-20858-2010 12060-SDE64370-20858-2011	17,759 7,644 <u>25,403</u>
Educational Technology State Grants Cluster:			
Title IV - Safe and drug free schools	84.186	1260-SDE64370-20873-2010	<u>2,683</u>
Special Education Cluster			
Idea Part B - Section 611 Disabilities	84.027	12060-SDE64370-20977-2010 12060-SDE64370-20977-2011	46,260 189,741
Idea part B - Section 611 Recovery act	84.391	12060-SDE64370-29011-2009	223,524
Idea part B - Section 619 Recovery act	84.392	12060-SDE64370-29012-2009	6,088 <u>465,613</u>
State Fiscal Stabilization Fund Cluster:			
Education State Grants - Recovery act	84.394	12060-SDE64370-29054-2009	<u>780,040</u>
Education jobs fund	84.410	12060-SDE64370-22405-2011	<u>71,876</u>
Passed through the State of Connecticut - Department of Education			
Passed through Eastconn			
Carl D. Perkins vocational & technology education act consortium grant	84.048	-	<u>4,350</u>
Total U.S. Department of Education			<u>1,405,381</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,604,236</u></u>

Town of Lebanon, Connecticut
Notes to Schedule of expenditures of federal awards
June 30, 2011

Note 1 - Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal grant and contract activity of the Town of Lebanon, Connecticut and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The expenditure amounts shown on the accompanying schedule include reimbursable expenditures which have been incurred by the Town and therefore included as expenditures but which have not yet been reimbursed and are considered and may be recorded as accounts receivable. In accordance with OMB Circular A-133 section §____.205 (a), the determination of when an award is expended should be based on when the activity related to the award occurs.

Stephen T. Hopkins, CPA, PC

Auditing, Accounting, and Consulting Services

214 Holmes Road / Scarborough, Maine 04074 / Phone: (207) 885 - 5038 / Fax: (207) 470 - 5050

Independent Auditors' Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*

Board of Finance
Board of Selectmen
Town of Lebanon, Connecticut

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Lebanon, Connecticut, as of and for the year ended June 30, 2011, which collectively comprise the Town of Lebanon, Connecticut's basic financial statements and have issued our report thereon dated February 15, 2012. A qualified opinion was issued on the financial statements of the Town of Lebanon, Connecticut as it relates to the omission of balances and disclosures relating to the recorded capital assets of the discretely presented component unit and the general fund and its recording of teachers summer salaries and fiscal year ending payrolls. This qualification is described in more detail in the Independent Auditors' Report which can be found on pages 1 and 2 of the financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal control over financial reporting

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

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

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 deficiency described in the accompanying schedule of findings and questioned costs and labeled as item number 11-03 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs and labeled as item numbers 11-01 and 11-02 to be significant deficiencies.

Compliance and other matters

As part of obtaining reasonable assurance about whether the Town of Lebanon, Connecticut'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 one reportable instance of noncompliance or other matters required to be reported under *Government Auditing Standards*. This item is described in the accompanying schedule of findings and questioned costs and labeled as item number 11-04.

The Town of Lebanon, Connecticut's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Lebanon, Connecticut's responses and, accordingly, we express no opinion on them.

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

Stephen T. Hopkins, CPA, PC

Stephen T. Hopkins, CPA, PC

February 15, 2012

Stephen T. Hopkins, CPA, PC

Auditing, Accounting, and Consulting Services

214 Holmes Road / Scarborough, Maine 04074 / Phone: (207) 885 - 5038 / Fax: (207) 470 - 5050

Independent Auditors' Report on compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance in accordance with OMB Circular A-133

Board of Finance
Board of Selectmen
Town of Lebanon, Connecticut

Compliance

We have audited the Town of Lebanon, Connecticut's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Town of Lebanon, Connecticut's major federal programs for the year ended June 30, 2011. The Town of Lebanon, Connecticut's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Lebanon, Connecticut's management. Our responsibility is to express an opinion on the Town of Lebanon, Connecticut's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Lebanon, Connecticut's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Lebanon, Connecticut's compliance with those requirements.

In our opinion, the Town of Lebanon, Connecticut, complied in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed one item of questioned costs with those requirements, which is required to be reported in accordance with OMB Circular A-133 and any applicable sections of the related compliance supplement. This item is described in the accompanying schedule of findings and questioned costs and labeled as item number 11-07.

Internal Control Over Compliance

The management of the Town of Lebanon, Connecticut is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Lebanon, Connecticut's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 of Lebanon, Connecticut'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 federal 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 federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purposed described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. The results of our auditing procedures disclosed two items relating to the internal control over compliance for major programs which are required to be reported in accordance with OMB Circular A-133 and any applicable sections of the related compliance supplement. These items are described in the accompanying schedule of findings and questioned costs and labeled as item numbers 11-05 and 11-06.

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

Stephen T. Hopkins, CPA, PC

Stephen J. Hopkins, CPA, PC

February 15, 2012

Town of Lebanon, Connecticut
 Schedule of findings and questioned costs
 June 30, 2011

Summary of Audit Results

The following is a summary of the results of the audit of the basic financial statements of the Town of Lebanon, Connecticut (the auditee) as of and for the year ended June 30, 2011 as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* §____.505(d)(1).

- (i) The auditor's report expresses a qualified opinion on the financial statements of the auditee as it relates to the discretely presented component opinion unit and the general fund opinion unit. These qualifications are described in the Independent Auditors' Report which can be found on pages 1 and 2 of the financial statements. All of the remaining and presented opinion units within the basic financial statements received unqualified opinions.
- (ii) There were three significant deficiencies in internal control disclosed by the audit of the financial statements of the auditee. These significant deficiencies are referenced in the accompanying schedule of findings and questioned costs as item numbers 11-01 through 11-03. Of these significant deficiencies, item 11-03 was considered to be a material weakness.
- (iii) No instances of noncompliance material to the financial statements of the auditee were disclosed during the audit. However, one immaterial instance of noncompliance is reported in the accompanying schedule of findings and questioned costs and are referenced as item number 11-04.
- (iv) There were two significant deficiencies in internal control over compliance for major programs disclosed by the audit of the financial statements of the auditee. These significant deficiencies are referenced in the accompanying schedule of findings and questioned costs as item numbers 11-05 and 11-06.
- (v) An unqualified opinion was issued on compliance for major programs of the auditee.
- (vi) The following programs (CFDA numbers) were considered major for auditing purposes. Major programs for testing purposes were determined in accordance with §____.520 (e) (1) and (2) (B). Under these sections, All type A programs must be tested except those identified as low-risk under section (c)(1). The Town had one high risk Type A program which was tested and one low risk Type A program which was not tested. As a result, one high risk Type B program was chosen for testing. The following programs were tested in order to meet the required percentage of coverage.

State Fiscal Stabilization Fund (SFSF) - Education Grants, Recovery Act	CFDA # 84.394	\$ 780,040
Special Education Cluster (IDEA)	CFDA # 84.027, 84.173, 84.391 and 84.392	<u>465,613</u>
		<u>\$1,245,653</u>

- (vii) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (viii) The auditee did not qualify as a low-risk auditee under §____.530. In accordance with section §____.520 (f) federal programs must be tested that in the aggregate encompass at least 50% of the total federal awards expended by the Town. Total federal awards expended by the Town were \$1,604,236. The programs and expenditures noted above in item (vii) represent approximately 78% of the total federal awards expended.

Findings Related to Financial Statements

There were four findings relating to the basic financial statements which are required to be reported in accordance with GAGAS and §____.505(d)(2). These four findings are related to internal control over financial reporting and compliance and are referenced in the accompanying schedule of findings and questioned costs as item numbers 11-01 through 11-04.

Findings, Questioned Costs, and Responses for Federal Awards

There were three findings and questioned costs for Federal Awards which shall include audit findings as defined in §____.510(a) which are required to be reported in accordance with §____.505(d)(3). These three findings and questioned costs are referenced in the accompanying schedule of findings and questioned costs as item numbers 11-05 through 11-07.

Summary Schedule of Prior Audit Findings

There were no findings and questioned costs related to federal award programs reported in the audit report for the Town of Lebanon, Connecticut for the year ended June 30, 2010. Therefore, no schedule has been included.

Town of Lebanon, Connecticut
Schedule of findings and questioned costs (continued)
June 30, 2011

11-01 - Accounting policies and procedures manual

Criteria:

The management of the Town is responsible for implementing and maintaining a system of internal controls for which the design of the system would allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

Condition:

During the audit I was provided with a copy of a document labeled the Town of Lebanon - Finance Department - Policies and Procedures Manual. This manual was reviewed to determine that the policies and procedures contained within the manual were approved, when they were approved, the adequacy of the policies and procedures and whether or not it appeared as though the policies and procedures were being followed. In reviewing the manual it showed that a number of seemingly significant sections did not contain an approved date such as the town investment policy section which includes seventeen individual items and portions of the town and board of education reconciliation policies and procedures section. These sections did contain revised dates but normally you would first have the date that a policy or procedure was approved and then a date if and when the item is subsequently revised. Portions of the town and board of education reconciliation policies and procedures section do contain an approval date of 01/13/11, however, in reviewing the provided Board of Finance minutes from this meeting they do not contain a motion and an approval of that motion specifically addressing the town and board of education reconciliation policies and procedures. Though the Town does have a policies and procedures manual, it would appear that in its current form it is incomplete and inadequate in providing a system of internal controls that would allow for the prevention or detection and correction of misstatements on a timely basis. Without an adequately documented and approved system of internal controls in place it cannot be determined that the procedures that are being followed during the day to day accounting activities are adequate to prevent or detect and correct misstatements on a timely basis. We do consider this condition to represent a significant deficiency in internal control over financial reporting.

Context and effect:

This type of manual is used to provide a general description of the general functions and specific duties of all personnel involved in the accounting, cash receipting, and bill paying system of the Town. The manual is also used to document the specific steps to be used in all accounting functions such as the processing of cash disbursements, the recording and deposit of cash receipts, the steps necessary to process payroll and the steps to be followed in reconciling certain accounts of the Town. The two main goals of developing and adequately documenting an effective set of accounting policies and procedures is to provide reasonable assurance that the Town's specific objectives will be achieved and to set up a system of internal controls and checks and balances which safeguard the assets of the Town. Without an adequately documented set of policies and procedures there can be no reasonable assurance present that the Town's specific objective are being achieved or that its' assets are being safeguarded.

Cause:

The reason for this condition would appear to be in part the lack of a consistent individual in the position of town accountant over the past several years which appears to have made it difficult for certain accounting and reporting requirements to be consistently implemented and followed.

Recommendation:

It does appear that the Town has made progress towards developing and documenting a system of internal controls and accounting polices and procedures from the prior fiscal year. We recommend that the Town move towards continuing this progress by completing the section of the manual which appear to be incomplete and to make sure that all of the policies and procedures within the manual be presented to the Board of Finance for their review and approval. In addition, we recommend that all of the policies and procedures within this manual be followed and documented and that periodically a designated individual outside of the finance office review the completion of these procedures to ensure that they are being followed and effectively applied.

Views of responsible officials and planned corrective actions:

Through discussions with members of the Town throughout the audit it does appear that they understand the importance of finalizing and following all of these policies and procedures. It would appear that the Town is going to continue to work on this manual and the implementation of the polices and procedures contained therein.

Town of Lebanon, Connecticut
Schedule of findings and questioned costs (continued)
June 30, 2011

11-02 - Capital assets and inventory record keeping

Criteria:

The Town is required to report capital assets as accurately as possible on its financial statements in accordance with generally accepted accounting principles. As such, annual capital asset additions, deletions and capital asset balances would be reported in the financial statements and disclosed in the notes to the financial statements.

Condition:

The Town does not keep a detailed listing of its' capital assets or other inventory items which may fall below the capitalization threshold of the Town but which may be useful to keep track of for future planning and capital improvement purposes. As such, accurate dollar amounts for annual capital asset additions, deletions and capital asset balances would not be known to the Town during the fiscal year and most likely not until the completion of the annual audit. We do consider this condition to represent a significant deficiency in internal control over financial reporting.

Context:

The Town has established a capital assets capitalization policy that states it will capitalize all expenses for property, plant, and equipment in excess of \$5,000. During the current fiscal year the only items capitalized consisted of town construction projects expenditures and other items noted during the audit. A complete listing of new capital assets was not presented to be capitalized and no capital assets were presented as being disposed of. At this time, the only way to record current year additions would be to scan the cash disbursements journal for items in excess of this amount and then select the invoices to determine whether they meet the definition of a capital asset and in turn whether or not they should be capitalized. In addition, the aforementioned process is in many cases unable to determine whether any items have or have not been disposed of during the current fiscal year. This procedure does however fall outside the scope of the current audit. In regard to other inventory items not meeting the \$5,000 capitalization threshold, the Town should have some system in place to keep track of certain items that may need to be replaced at some future point in time.

Effect:

Without these steps being taken and detailed listings being kept it is difficult for the Town to have an accurate financial picture in relation to their current capital assets and inventory and their potential future needs. As a result, there can be no reasonable assurance present that the Town's specific objectives are being achieved both in the short term and in the long term or that its' assets are being safeguarded.

Cause:

The reason for this condition would appear to be in part the lack of a consistent individual in the position of town accountant over the past several years which appears to have made it difficult for certain accounting and reporting requirements to be consistently implemented and followed. In addition, the Town does not have an accounting policies and procedures manual outlining specific procedures to be followed in order to accurately track and record capital asset additions, deletions and balances.

Recommendation:

We recommend that the Town implement some type of system to track and record the additions and deletions of capital assets when they are purchased and when they are disposed of. This system should consist of an initial recognition of items being purchased fitting the definition of a capital asset and periodic inventory of capital assets to ensure that any items being disposed of have been recorded as such.

Views of responsible officials and planned corrective actions:

This finding has been discussed with management and they appear to understand the importance of such a system, however, such a system has yet to be implemented. The Town is currently developing a complete accounting policies and procedures manual and intends to cover the recording and tracking of capital assets and other inventory items within the manual. Once an adequate policy and procedure has been developed and is being followed, management believes that this significant deficiency will be eliminated.

Town of Lebanon, Connecticut
Schedule of findings and questioned costs (continued)
June 30, 2011

11-03 - Account reconciliations

Criteria:

The management of the Town is responsible for implementing and maintaining a system of internal controls for which the design of the system would allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Condition:

For the current fiscal year there did not appear to be an adequate system in place to ensure that all of the asset and liability accounts on the trial balance of the Town were reconciled. In addition, expenditures related to the Board of Education are recorded by specific line item by the Board of Education and as a lump sum amount by the Town after each expenditure check run. These entries are made on two different accounting systems. The finance office of the Town and the Board of Education did not reconcile their respective balances during the fiscal year and in turn could not explain the material differences present at the end of the fiscal year. We do consider this condition to represent a material weakness in internal control over financial reporting.

Context:

A number balance sheet accounts as well as the Board of Education expenditures went unreconciled during the fiscal year and in many instances required a great deal of research and adjusting journal entries to correct the current year activity and in turn the ending recorded balances. Reconciliations were prepared for a number of the cash accounts shown on the trial balance during the fiscal year and attempts appear to have been made on other accounts during the fiscal year and after the end of the fiscal year which would not be classified as being prepared in a timely manner. For Board of Education expenditures, the lack of a set reconciliation process does not allow for any material differences to be detected in a timely manner. Since the amount being recorded on both sides should be the same, no differences should exist. This annual variance could result in an adjustment being made to the Board of Education's Form ED001 so that the reported expenditures equal those recorded on the books of the Town.

Effect:

Without account reconciliations being prepared for all balance sheet accounts as well as the Board of Education expenditure accounts during the fiscal year and within a timely manner, it is difficult to have an accurate financial picture of the Town during the fiscal year. Without an accurate financial picture there can be no reasonable assurance present that the Town's specific objectives are being achieved or that its' assets are being safeguarded.

Cause:

This reason for this condition would appear to be in part the lack of a consistent individual in the position of town accountant over the past several years which appears to have made it difficult for certain accounting, reporting and reconciling requirements to be consistently implemented and followed. In addition, the Town does not have a section within the accounting policies and procedures manual outlining specific procedures to be followed in order to accurately complete reconciliation of all balance sheet accounts.

Recommendation:

We recommend that the Town develop a set of adequate internal controls to ensure that all material asset, liability, revenue, and expenditure accounts are reconciled on at least a quarterly basis if not a monthly basis. We also recommend that the Town Accountant, members of the Board of Education, and other necessary parties meet on an individual basis and discuss the need for this account reconciliation process to be in place. Individual departments are pieces of the reporting entity as a whole and therefore need to have the same or similar focus on the results of the operations of the Town as a whole and understand the need for having a reasonable assurance present that the Town's specific objectives are being achieved and that its' assets are being safeguarded.

Views of responsible officials and planned corrective actions:

This finding has been discussed with management and they appear to understand its importance, however, such a system has yet to be implemented. The Town is currently developing a complete accounting policies and procedures manual and intends to cover the reconciling of all material asset, liability, revenue and expenditure accounts in a timely manner. Once an adequate policy and procedure has been developed and is being followed, management believes that this significant deficiency will be eliminated.

Town of Lebanon, Connecticut
Schedule of findings and questioned costs (continued)
June 30, 2011

11-04 - Compliance with the provisions of permanent trust fund principal balances

Criteria:

Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town's programs and in effect the benefit of the Town or its citizens. Over the years, permanent trust fund amounts have been given to the Town in this manner and with the intent that the principal portion of the trust will stay in tact and be used to earn income which will in turn be used for the purposes specified within each individual trust agreement. Within the fund financial statements, this principal portion is classified as a nonspendable fund balance amount with any positive residual fund balance being classified as restricted and any negative residual fund balance being classified as unassigned. Within the government-wide financial statements, this principal portion is classified as restricted and nonspendable with any positive or negative residual fund balance being classified as either restricted and spendable or unrestricted.

Condition:

The Town currently has a seventeen individual permanent fund trusts that it has been given over the years and which are accounted for and reported within the financial statements as shown on Schedule D starting on page 51. Seven of these permanent trusts relate to amounts for which the earnings are used to benefit the Board of Education and more specifically the students in the form of scholarships. Amounts from these seven permanent fund trusts are transferred annually to the high school student activity account where the actual scholarships are accounted for and disbursed. The principal balance within these seven permanent fund trusts have been overspent in the aggregate amount of \$1,683 which would show that the Town is not currently in compliance with the need to preserve the principal of these permanent fund trusts.

Context and effect:

The amount of this aggregate over expenditure of the principal portion of these permanent fund trusts of \$1,638 would appear to be immaterial in amount when considering that the total principal portion of these seven permanent fund trusts is \$228,780. This would however bring into question the effectiveness and adequacy of the internal controls in place to ensure the preservation of these principal balances. The Town does have ten other permanent fund trust agreements in which the principal portion has not been over expended. The difference between these two groups of permanent funds is that the over expended trusts have a cash portion which is actually disbursed on an annual basis whereas the trusts which have not been over expended do not. This would seem to indicate that the internal controls in place relating to the determination of the amount to be disburses from these seven trusts would be the ineffective and inadequate portion of the Town's internal controls.

Cause:

In reviewing the calculation that the Town uses to determine the amount to be disbursed from these seven permanent trust funds it would appear as though no consideration is given to the actual amount which has been earned by the principal but simply a percentage is used on an annual basis which is applied to the principal itself. This type of formula may have been adequate in past fiscal years when the rate of interest earned on these funds was higher, however, as interest rates have dropped the percentage applied to the principal should have been adjusted down as well. The individuals who have processed these disbursements over the past several fiscal years are no longer working within the Town and therefore any additional information as to why the disbursement percentage was never adjusted is unable to be determined. Therefore, the cause for this situation is unknown.

Recommendation:

We recommend that the Town determine an appropriate way to fund these individual deficits whether it be from a Town or Board of Education appropriation or from an allocation of miscellaneous Town revenues to each of the individual permanent funds which currently have deficit unassigned fund balance amounts. We also recommend that the Town adjust its disbursement calculation so that it either uses the actual rate of return as the basis for the calculation or it uses a fixed rate of return as the basis for the calculation. If a fixed rate of return is to be used then it should be calculated at such a rate that would not allow for the over withdrawal of the principal amounts of the permanent funds while taking into consideration the fact that at certain points in time the actual rate of return may be higher or lower than the fixed rate of return being used in the disbursement calculation.

Views of responsible officials and planned corrective actions:

We believe that the Town will more closely monitor the status of these permanent trust fund balances and avoid any instances of over expending these balances in the future.

Town of Lebanon, Connecticut
Schedule of findings and questioned costs (continued)
June 30, 2011

11-05 - Internal control over compliance reporting

Federal program: State Fiscal Stabilization Fund (SFSF) - Education Grants, Recovery Act
Federal CFDA #: 84.394
Pass-through entity: State of Connecticut - Department of Education
Grant period: 07/01/10 - 06/30/11

Criteria:

These federal funds are passed through the State of Connecticut - Department of Education and granted to municipalities and more specifically Boards of Education throughout the State. There are quarterly reporting requirements related to these grant funds which require the reporting of Full Time Equivalents (FTE) created and retained and certain vendor information. The State of Connecticut - Department of Education has an online ARRA Quarterly Reporting System in which recipients of these grant funds can report this information as it relates to each strand of ARRA funds received by the recipient.

Condition:

As part of the auditing tests performed on this grant, copies of the quarterly reports which were submitted by the Board of Education for these funds were requested for review. The review of these quarterly reports consisted of, in part, a determination that the reports were filed in a timely manner and that there is adequate documentation supporting the FTE created and retained amounts being reported as well as any vendor information. A file full of information relating to ARRA reporting during the fiscal year was made available for review. I was unable to find copies of the reports submitted by the Board of Education for the first and second quarter of the fiscal year as well as any backup documentation for the amount of FTE created and retained amounts which would have been reported for those two quarters. I was able to find copies of the reports submitted by the Board of Education for the third and fourth quarters of the fiscal year, however, I was unable to find any backup documentation for the amount of FTE created and retained amounts which were reported on these reports. We do consider this condition to represent a significant deficiency in internal control over compliance reporting.

Context and effect:

Without access to the first and second quarterly reports and any backup documentation it cannot be determined that the reports were filed in a timely manner or whether the information that was reported was reasonable. Without access to the backup documentation for the third and fourth quarterly reports it cannot be determined that the information that was reported was reasonable.

Cause:

It would appear that this situation may have been caused by turnover of administrative employees within the finance department of the Board of Education. One individual was responsible for the filing and reporting of the first and second quarterly reports while a second individual was responsible for the filing and reporting of the third and fourth quarterly reports. Neither one of these individuals is still present within the finance department of the Board of Education so it makes it that much more difficult to determine why this situation occurred.

Recommendation:

We recommend that the finance department of the Board of Education review its system of internal controls relating to the completion and retention of all required grant filings. We also recommend that adequate backup documentation be attached to copies of all required grant filings.

Views of responsible officials and planned corrective actions:

Through discussion with members of the Board of Education throughout the audit it does appear that they understand the importance of documenting the compliance with grant related items which would include the reporting requirements discussed above. Through discussion with the current individual responsible for submitting these required quarterly reports, it appears that all of the required reports will be available for review during future fiscal year audits when the review of such items are required. In addition, it appears that this individual understands the importance of adequate backup documentation and it appears that backup documentation will also be made available for review during future fiscal year audits when the review of such items are required.

Town of Lebanon, Connecticut
Schedule of findings and questioned costs (continued)
June 30, 2011

11-06 - Internal control over allowable costs

Federal program: Special Education Cluster (IDEA)
Federal CFDA #: 84.027, 84.173, 84.391 and 84.392
Pass-through entity: State of Connecticut - Department of Education
Grant period: 07/01/10 - 06/30/11

Criteria:

Cost are allowed to be charged to the federal programs of State and Local governments in accordance with *Office of Policy and Management, OMB Circular A-87*. Attachment B, item 8h states the following, charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with the generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on (a), more than one Federal award and (b) a Federal award and a non Federal award. The personnel activity reports or equivalent documentation must (a) reflect an after the fact distribution of the actual activity of each employee, (b) must account for the total activity for which each employee is compensated, (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee. However, where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

Condition:

The special education department of the Board of Education uses these semi annual certifications for the salary and wage amounts of individuals performing special education services and whose salaries and wages are charged in whole or in part to federal special education grants. The first completed and signed semi annual certifications were produced during the early stages of the audit but could not be produced for review near the completion of the audit. The second semi annual certifications could not be produced for review. We do consider this condition to represent a significant deficiency in internal control over allowable costs.

Context and effect:

Without these semi annual salary and wage certifications the Board of Education cannot demonstrate that they are in compliance with the aforementioned cost principle regarding salaries and wages.

Cause:

Through reviews of these certifications in previous fiscal years it did appear that the Board of Education had an adequate set of controls in place to ensure that the required certifications were completed and signed by the applicable employees and that they were available for review upon request during the audit. It would appear that the second semi annual certification was not completed due to the turnover of administrative employees within the special education department. The reason that the first semi annual certification could not be produced for review near the completion of the audit is unknown.

Recommendation:

We recommend that the special education department of the Board of Education review its system of internal controls relating to the collection and retention of these two semi annual salary and wage certifications to ensure that they can adequately document their compliance with the aforementioned cost principle regarding salaries and wages.

Views of responsible officials and planned corrective actions:

Through discussions with administrative individuals within the special education department they seemed to understand the importance of completing and making available these semi annual certifications for review and compliance purposes. We believe that these semi annual salary and wage certifications will be completed and available for review during future fiscal year audits when the review of such items are required.

Town of Lebanon, Connecticut
Schedule of findings and questioned costs (continued)
June 30, 2011

11-07 - Questioned costs

Federal program: Special Education - Grants to States (IDEA, Part B), Recovery Act
Federal CFDA #: 84.391
Pass-through entity: State of Connecticut - Department of Education
Grant period: 07/01/09 - 06/30/11

Criteria:

Cost are allowed to be charged to the federal programs of State and Local governments in accordance with *Office of Policy and Management, OMB Circular A-87*. These cost principles contain basic guidelines of factors affecting the allowability and reasonableness of costs charged to federal programs. These guidelines state in part that , "A cost is reasonable if, in its nature or amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the costs" and that "In determining the reasonableness of a given cost, consideration must be given to whether the cost is of a type generally recognized as ordinary and necessary for the operation of the organization or the performance of the Federal award".

Condition and questioned costs:

During the testing of expenditures for this grant, it was found that two invoices were paid on 06/28/11 relating to what appears to be initial setup and purchase amounts of \$500 and \$8,375 for software and license and support services through June 2012 amounts of \$300 and \$8,528. The total of these two invoices which were paid on 06/28/11 was \$17,703. Through a discussion with a member of the Board of Education it was conveyed that the initial setup and purchase of these two items occurred prior to 06/30/11, however, the invoices do not indicate any particular dates for the initial setup and purchase of this software they are simply dated as 06/20/11 and 06/01/11, respectively. If the initial setup and purchase of this software did occur prior to the end of the grant period and it could be determined that a reasonable amount of benefit was received for the performance of this grant prior to the end of the grant period, it would seem reasonable to determine that the \$500 and \$8,375 portion of these payments was allowable to be charged to the grant. However, the license and support services which run through June 2012 would appear not to provide any reasonable benefit for the performance of the grant prior to the end of the grant period, and therefore it would seem unreasonable to determine that the \$300 and \$8,528 portion of these invoices would be allowable to be charged to the grant.

Context and effect:

In testing invoices for amounts charged to federal grants two additional invoices were found for grants which ended 06/30/11 with item shipped dates of 06/17/11 and 06/23/11. The amounts of these two invoices were \$2,250 and \$2,029, respectively. Though these items were most likely received prior to the end of the grant period they would appear to indicate that items are occasionally purchased at or near the end of grant periods which do create the question as to whether any reasonable benefit was received for the performance of the grant prior to the end of the grant period. Though it would appear that the above mentioned material items of questioned costs are isolated instances of perceived noncompliance, other non-material items may be found if more items were tested which would need to be more closely examined to determine their allowability.

Cause:

It would appear that these items were simply purchased and allocated to the above mentioned federal grant in the normal course of buying special education related items. It would also appear that there may have been an inadequate level of familiarity with the specific guidelines outlined in OMB Circular A-87 or it could simply be a different interpretation of those specific guidelines.

Recommendation:

Through a conversation with a member of the Board of Education ultimately responsible for the management of this and other grants, we discussed the importance of taking into consideration the period of benefit of the grant as it relates to purchases charged to grants.

Views of responsible officials and planned corrective actions:

The individual with whom this finding was discussed seemed to understand very well the idea of the period of benefit affecting the posting of purchases to grants and our interpretation of the specific guidelines. We believe that purchases made near the end of grant periods will be more closely monitored to determine that expenditures are being properly allocated to federal grants.

Stephen T. Hopkins, CPA, PC

Auditing, Accounting, and Consulting Services

214 Holmes Road / Scarborough, Maine 04074 / Phone: (207) 885 - 5038 / Fax: (207) 470 - 5050

Independent Auditors Report on compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance in accordance with the State Single Audit Act

Board of Finance
Board of Selectmen
Town of Lebanon, Connecticut

Compliance

We have audited the Town of Lebanon, Connecticut's compliance with the types of compliance requirements described in the *Office of Policy and Management Compliance Supplement* that could have a direct and material effect on each of the Town of Lebanon, Connecticut's major state programs for the year ended June 30, 2011. The major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Town of Lebanon, Connecticut's management. Our responsibility is to express an opinion on the Town of Lebanon, Connecticut's compliance based on our audit.

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

In our opinion, the Town of Lebanon, Connecticut complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

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

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

Schedule of Expenditures of State Financial Assistance

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Lebanon, Connecticut, as of and for the year ended June 30, 2011, and have issued our report thereon dated February 15, 2012. A qualified opinion was issued on the financial statements of the Town of Lebanon, Connecticut as it relates to the omission of balances and disclosures relating to the recorded capital assets of the discretely presented component unit and the general fund and its recording of teachers summer salaries and fiscal year ending payrolls. This qualification is described in more detail in the Independent Auditors' Report which can be found on pages 1 and 2 of the financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town of Lebanon, Connecticut'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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Stephen T. Hopkins, CPA, PC

Stephen T. Hopkins, CPA, PC

February 15, 2012

Town of Lebanon, Connecticut
Schedule of expenditures of state financial assistance
For the year ended June 30, 2011

State grantor/pass through Grantor/program title	State grant program Core-CT number	Expenditures
<u>Office of Policy and Management:</u>		
Disabled program	11000-OPM20600-17011-2011	\$ 729
Property tax relief for elderly and totally disabled homeowners	11000-OPM20600-17018-2011	28,703
Property tax relief for veterans	11000-OPM20600-17024-2011	2,652
Property tax relief for manufacturing machinery and equipment and commercial vehicles	11000-OPM20600-17031-2011	24,520
Municipal video competition	12060-OPM20600-35362-2010	167
<u>Department of Education:</u>		
Healthy food initiative	11000-SDE64370-16212-2011	10,810
Child nutrition program state match	11000-SDE64370-16211-2011	4,960
Vocational Agriculture	11000-SDE64370-17017-2011	138,794
Adult education	11000-SDE64370-17030-2011	7,658
School readiness	11000-SDE64370-12113-2011	107,000
Primary mental health	11000-SDE64370-12198-2011	19,594
<u>Connecticut State Library:</u>		
Historic documents preservation grant	12060-CSL66094-35150-2011	3,000
Grants to public libraries	11000-CSL66051-17003-2011	1,473
Connecticard payments	11000-CSL66051-17010-2011	1,190
<u>Department of Transportation:</u>		
Town aid road grants	13033-DOT57131-43459-2011	110,852
Town aid road grants	12052-DOT57131-43455-2011	38,788
Bus operations	12001-DOT57931-12175-2011	31,774
Fix-it-first bridge repairs	13033-DOT57151-43123-2011	501,626
Other expenses	12001-DOT57124-10020-2011	12
Other expenses	12001-DOT57126-10020-2011	8
<u>Office of State Comptroller:</u>		
Payment in lieu of taxes (PILOT) on state owned property	11000-OSC15910-17004-2011	32,293
<u>Department of Environmental Protection:</u>		
Boat grant	12060-DEP44434-34907-2011	2,029
Environmental quality fees	11000-DEP43740-12501-2011	38
Non-budgeted operating appropriation	21014-DEP43720-40001-2011	19,250

Town of Lebanon, Connecticut
Schedule of expenditures of state financial assistance (continued)
For the year ended June 30, 2011

State grantor/pass through Grantor/program title	State grant program Core-CT number	Expenditures
<u>Department of Agriculture:</u>		
Agriculture viability grant	12060-DAG42710-90456-2009	\$ 23,428
Farmland preservation	12060-DAG42710-90460-2008	10
Farmland preservation	12060-DAG42720-90460-2008	10
Farmland preservation	12060-DAG42720-90460-2009	120
 <u>Department of Economic and Community Development:</u>		
Small town economic assistance program	12052-ECD46350-42411-2011	49,416
 <u>Other Departments and miscellaneous awards:</u>		
Non-budgeted operating appropriations	34001-JUD95162-40001-2011	4,460
Other expenses	11000-DSS60439-10020-2011	10
Other expenses	11000-DRS16324-10020-2011	125
Total State Financial Assistance before exempt programs		\$ 1,165,499
Exempt Programs		
<u>State Department of Education:</u>		
School construction principal	13010-SDE64370-40901-2011	\$ 122,113
School construction interest	13009-SDE64370-40896-2011	6,943
Transportation of school children	11000-SDE64370-17027-2011	118,496
Education equalization grants	11000-SDE64370-17041-2011	4,664,673
Special education excess costs	11000-SDE64370-17047-2011	497,906
 <u>Office of State Comptroller:</u>		
Mashantucket Pequot Grant	12010-OSC15910-17005-2011	30,306
Total Exempt Programs		\$ 5,440,437
Total Expenditures of State Financial Assistance		\$ 6,605,936

Town of Lebanon, Connecticut
Notes to Schedule of expenditures of state financial assistance
For the year ended June 30, 2011

Various departments and agencies of the State of Connecticut have provided financial assistance to the Town of Lebanon, Connecticut through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including but not limited to education, transportation, tax relief, and library programs.

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Lebanon, Connecticut conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies relating to the aforementioned grant programs.

Basis of Accounting

There are two sets of basic financial statements contained in the Town of Lebanon, Connecticut's annual report as required by GASB Statement No. 34. The government-wide financial statements are prepared on the accrual basis of accounting, whereas, the fund financial statements are prepared on the modified accrual basis of accounting. The following is a summary of such bases:

Accrual Basis - Government-wide financial statements:

- Revenues are recognized when they are earned.
- Expenses are recorded when they are incurred.

Modified Accrual Basis - Fund financial statements:

- Revenues are recognized when they become measurable and available. Available includes those property tax receivables expected to be collected within sixty days after year end. Miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received. Intergovernmental revenues, and interest income are accrued, when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available.
- Expenditures are recorded generally when the related fund liability is incurred. This includes reimbursable expenditures which have been incurred by the Town and therefore included in the accompanying schedule of expenditures of state financial assistance but which have not yet been reimbursed and are considered and recorded as accounts receivable. The determination of when an award is expended should be based on when the activity related to the award occurs. Exceptions to this general rule include principal and interest on general long-term debt which is recorded when due.

The Schedule of Expenditures of State Financial Assistance, contained in this report, is prepared based on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Section 4-236-22), 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 Lebanon, Connecticut
 Schedule of findings and questioned costs
 For the year ended June 30, 2011

I. Summary of Audit Results

Financial Statements

Type of auditor's report issued: qualified

Internal control over financial reporting:

- | | | | | |
|---|-----------------|-----|-----------------|---------------|
| • Material weakness (es) identified? | <u>X</u> | yes | <u> </u> | no |
| • Significant deficiency (ies) identified? | <u>X</u> | yes | <u> </u> | none reported |
| • Noncompliance material to the financial statements noted? | <u> </u> | yes | <u>X</u> | no |

State Financial Assistance

Type of auditors' report issued on compliance for major programs Unqualified

Internal control over major programs:

- | | | | | |
|---|-----------------|-----|----------|---------------|
| • Material weakness (es) identified? | <u> </u> | yes | <u>X</u> | no |
| • Significant deficiency (ies) identified? | <u> </u> | yes | <u>X</u> | none reported |
| • 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? | <u> </u> | yes | <u>X</u> | no |

Major State Programs and percentage of coverage

- The following schedule reflects the major programs included in the audit. Sec. 4-230 of the Connecticut General Statutes states that a "major state program means any program, excluding an exempt program, determined to be a major state program by the independent auditor pursuant to the requirements of the risk based approach". Under step two of this process all Type A programs must be identified. Based on the Town of Lebanon, Connecticut's non-exempt expenditures of state financial assistance amount of \$1,165,499, a Type A program shall be considered a nonexempt state program for which the amount of state financial assistance expended under the program for the audit period equals or exceeds the larger of \$200,000 or two percent (2%) of the nonstate entity's total nonexempt state financial assistance program expenditures. The Town of Lebanon has one Type A program for the current fiscal year based on the \$200,000 dollar threshold and therefore all of its remaining programs would be considered Type B programs. The Town has eight Type B programs for which a risk assessment must be performed considering the Type B programs with expenditures in excess of \$25,000.
- In accordance with Subpart A of the risk assessment procedures, the following considerations have been applied to the Type A programs of the Town to determine whether they should be considered high risk: The dollar value of the applicable transactions, the complexity of the requirements of the program and as compared to other programs of the Town, whether the program has been tested as major during at least one of the two most recent audit periods and an assessment based on professional judgement. The Town's Type A program was determined to be high-risk and therefore will be audited as a major program. In addition, only one Type B program for which a risk assessment was required was determined to be high-risk and will also be audited as a major program. The total non-exempt state financial assistance expended by the Town for the current audit period was \$1,165,499. The programs tested as major and shown below represent approximately 52% of the total non-exempt state financial assistance expended.

<u>State grantor and program</u>	<u>State grant program Core-CT number</u>	<u>Expenditures</u>
School readiness	11000-SDE64370-12113-2011	\$ 107,000
Fix-it-first bridge repairs	13033-DOT57151-43123-2011	501,626
		<u>\$ 608,626</u>

- Dollar threshold used to distinguish between Type A and Type B programs: \$ 200,000

Town of Lebanon, Connecticut
Schedule of findings and questioned costs (continued)
For the year ended June 30, 2011

II. Financial Statement Findings

- We issued our report, dated February 15, 2012, on internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*.
- Our report on internal control over financial reporting indicated three significant deficiencies. The details of these significant deficiencies can be found in the schedule of findings and questioned costs within the federal compliance section of these financial statements and labeled as item number 11-01 through 11-03 starting on page 69. Of these significant deficiencies, item 11-03 was considered to be a material weakness.
- Our report on compliance indicated one reportable instance of noncompliance or other matters required to be reported under *Government Auditing Standards*. The details of this item can be found in the schedule of findings and questioned costs within the federal compliance section of these financial statements and labeled as item number 11-04 on page 72.

III. State Financial Assistance Findings and Questioned Costs

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