

# *Town of Lebanon, Connecticut*

State & Federal Compliance Audit

June 30, 2012

*Stephen T. Hopkins, CPA, PC*

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Auditing, Accounting, and Consulting Services

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Town of Lebanon, Connecticut  
June 30, 2012  
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# Stephen T. Hopkins, CPA, PC

## Auditing, Accounting, and Consulting Services

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### 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, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town 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.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position 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 June 30, 2012, and the respective changes in financial position and cash flows, where applicable, 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 January 21, 2013, 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



January 21, 2013

Town of Lebanon, Connecticut  
Management's Discussion and Analysis  
June 30, 2012

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, 2012. 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 \$38,631,168 (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 \$37,566,037 as restated. This represents a favorable increase of approximately 2.83%.
- 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 \$30,557,278 (79.10% of total net assets) as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$32,474,524 (86.45% of total net assets) as restated. This represents a decrease of approximately 5.90% which is the result of new short-term debt in the amount of \$5,100,000, a decrease in the related long-term debt of \$650,566, current depreciation in the amount of \$1,568,652 and current net capital asset additions in the amount of \$4,100,840. These fixed asset additions were made up in large part of \$2,862,161 in costs related to the Amston lake sewer construction project.
- 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 \$3,440,596 (8.91% of total net assets) as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$3,245,394 (8.64% of total net assets). This represents an increase of approximately 6.01%. This increase is due in large part to an increase in the fair value of restricted investments within the Trumbull investments fund of \$98,373.
- 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 \$4,633,294 (11.99% of total net assets) as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$1,846,119 (4.91% of total net assets) as restated. This represents a favorable increase of approximately 150.97%.
- The Town's total revenues for its governmental activities were \$27,645,836 for the current fiscal. This compares to the prior fiscal year balance of \$26,838,462. This represents an increase of approximately 3.00% or \$807,374. This is due in large part to the current year increase in operating grants of \$607,300 which was made up of funds received for the Tyler field improvement grant of \$162,427 and the housing rehabilitation grant of \$190,434. In addition, property tax revenues increased by \$550,643 due to both a higher annual commitment and a higher than anticipated collection rate.
- The cost of the Town's governmental activities was \$26,580,705 for the current fiscal year. The amount of these costs ultimately financed by general revenues of the Town, however, was only \$14,865,381 due to a portion of these costs being paid for by individuals receiving certain benefits through charges for services in the amount of \$1,535,804 and through operating and capital grants received from the State (state and federal dollars) in the amount of \$10,179,520. This amounts to approximately 55.93% of the cost of these governmental activities actually being financed by the general revenues of the Town. This compares to approximately 57.25% 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 \$1,461,885 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 compares to approximately \$1,447,816 in the prior fiscal year. The prior fiscal year balance excluded \$780,040 in federal education stabilization funds received from the state as a supplement to education cost sharing funds. 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, 2012

**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 statements on pages 18 and 19 provide financial information about the proprietary activities in the form of an internal service fund used to account for the self funding dental plan of the Town. The statements on page 20 provide financial information about the fiduciary activities for which the Town acts solely as a trustee or agent for the benefit of groups outside of the Town. These statements 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, 2012

**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. 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 such as student activity accounts.

**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 compared to the prior fiscal year. 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 1.04 to 1 compared to the end of the prior fiscal year when the current ratio was 1.60 to 1. 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 \$339,633. This compares to the prior fiscal year positive balance of \$2,015,906. The large decrease in the current ratio and working capital amounts can be related to the activity in the Amston Lake sewer construction project fund. The current assets in this fund were \$2,589,214 and the current liabilities were \$5,797,509 due in large part to the \$5,100,000 bond anticipation note entered into by the Town. These amounts were not present in the prior fiscal year and will not affect current assets and current liabilities in this same manner in the upcoming fiscal year. Excluding these amounts from the above current ratio and working capital calculations result in a current ratio of 2.52 to 1 and a working capital balance of \$3,547,928.

	Governmental Activities		Percentage of Total	
	2012	2011	2012	2011
Current assets	\$ 8,465,228	\$ 5,377,170	16.48%	11.78%
Other assets	3,590,302	3,475,399	6.99%	7.62%
Capital assets	39,317,813	36,785,625	76.53%	80.60%
	<u>\$ 51,373,343</u>	<u>\$ 45,638,194</u>	<u>100.00%</u>	<u>100.00%</u>
Current and other liabilities	\$ 8,125,595	\$ 3,361,264	63.77%	41.64%
Long-term liabilities outstanding	4,616,580	4,710,893	36.23%	58.36%
	<u>\$ 12,742,175</u>	<u>\$ 8,072,157</u>	<u>100.00%</u>	<u>100.00%</u>
Net assets:				
Invested in capital assets, net of debt	\$ 30,557,278	\$ 32,474,524	79.10%	86.45%
Restricted	3,440,596	3,245,394	8.91%	8.64%
Unrestricted	4,633,294	1,846,119	11.99%	4.91%
	<u>\$ 38,631,168</u>	<u>\$ 37,566,037</u>	<u>100.00%</u>	<u>100.00%</u>
Restricted net assets:				
Expendable:				
Restricted investment funds	\$ 1,948,585	\$ 1,850,212		
Restricted donation funds	280,167	270,954		
Enabling legislation funds	46,694	43,698		
Educational activity and program funds	148,124	139,668		
Community development projects	663,151	585,971		
	<u>3,086,721</u>	<u>2,890,503</u>		
Non-expendable:				
Non-USDA inventory	6,311	7,353		
Prepaid expenses	25,294	25,268		
Principal balance of permanent funds	322,270	322,270		
	<u>353,875</u>	<u>354,891</u>		
	<u>\$ 3,440,596</u>	<u>\$ 3,245,394</u>		

Town of Lebanon, Connecticut  
Management's Discussion and Analysis  
June 30, 2012

**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	
	2012	2011	2012	2011
Program revenues				
Charges for services	\$ 1,535,804	\$ 1,869,542	5.56%	6.97%
Operating grants	9,489,379	8,882,079	34.32%	33.09%
Capital grants	690,141	551,542	2.50%	2.06%
General revenues				
Property taxes, interest, and liens	15,208,921	14,658,278	55.01%	54.62%
State property tax relief revenues	64,046	90,925	0.23%	0.34%
Other unclassified state revenues	-	-	-	-
Net change in the fair value of investments	98,963	409,236	0.36%	1.53%
Interest and dividends	90,724	74,768	0.33%	0.28%
Miscellaneous	467,858	302,092	1.69%	1.11%
Total revenues	<u>27,645,836</u>	<u>26,838,462</u>	<u>100.00%</u>	<u>100.00%</u>
Expenses				
General government	860,988	817,932	3.24%	3.09%
Public safety	506,831	494,307	1.91%	1.87%
Public works	1,096,271	1,213,025	4.12%	4.59%
Health & social	981,193	717,365	3.69%	2.71%
Community preservation	242,715	193,426	0.91%	0.73%
Education	19,898,087	20,441,131	74.86%	77.30%
Education - on behalf	1,680,491	1,360,318	6.32%	5.14%
Unclassified and program	699,056	518,898	2.63%	1.97%
Capital outlay	-	-	-	-
Depreciation	459,411	431,963	1.73%	1.63%
Debt service:				
Interest	155,662	190,837	0.59%	0.73%
Loss on disposal of fixed assets	-	63,221	-	0.24%
Total expenses	<u>26,580,705</u>	<u>26,442,423</u>	<u>100.00%</u>	<u>100.00%</u>
Change in net assets	1,065,131	396,039		
Net assets - July 1	<u>37,566,037</u>	<u>37,169,998</u>		
Net assets - June 30	<u>\$ 38,631,168</u>	<u>\$ 37,566,037</u>		
Expenses financed by general revenues:				
Total expenses	\$ 26,580,705	\$ 26,442,423		
Less charges for services	-1,535,804	-1,869,542		
Less operating grants and contributions	-9,489,379	-8,882,079		
Less capital grants and contributions	-690,141	-551,542		
	<u>\$ 14,865,381</u>	<u>\$ 15,139,260</u>	<u>55.93%</u>	<u>57.25%</u>

**Town of Lebanon, Connecticut**  
**Management's Discussion and Analysis**  
 June 30, 2012

**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 26 and note 5 on page 33.

	Governmental Activities		Percentage of total	
	2012	2011	2012	2011
Land and improvements	\$ 2,121,289	\$ 1,896,289	2.93%	2.77%
Buildings and improvements	35,784,311	35,767,406	49.44%	52.33%
Vehicles	3,724,563	3,600,939	5.15%	5.27%
Equipment	868,738	720,208	1.20%	1.05%
Infrastructure	26,636,485	25,802,849	36.80%	37.75%
Construction in progress	3,247,516	564,655	4.48%	0.83%
Total historical value	<u>72,382,902</u>	<u>68,352,346</u>	<u>100.00%</u>	<u>100.00%</u>
Less accumulated depreciation	<u>-33,065,089</u>	<u>-31,615,812</u>		
Total capital assets (net)	<u>\$ 39,317,813</u>	<u>\$ 36,736,534</u>		

**Debt administration**

The debt of the town includes long-term bonds, notes and capital leases payable, accrued compensated absences (accumulated vacation and sick time) and accrued landfill post-closure care costs. In addition, during the current fiscal year the town entered into a short-term bond anticipation note agreement in the amount of \$5,100,000. This short-term debt is being shown below individually and will be incorporated into the long-term debt amounts during the next fiscal year when it is replaced with a long-term bond payable. 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 34.27% 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 \$225,000 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 11.71% 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 and 7 starting on page 34.

	Governmental Activities		Percentage of total	
	2012	2011	2012	2011
Bond anticipation note payable	\$ 5,100,000	\$ -	57.02%	-
Bonds, notes and capital leases payable:				
Portion due within one year	427,618	650,566	4.79%	14.43%
Portion due after one year	3,232,917	3,660,535	36.15%	81.19%
Accrued compensated absences - school	66,321	67,122	0.74%	1.42%
Accrued compensated absences - town	28,311	29,705	0.32%	0.66%
Accrued landfill post-closure costs	89,131	100,631	0.98%	2.30%
Total debt	<u>\$ 8,944,298</u>	<u>\$ 4,508,559</u>	<u>100.00%</u>	<u>100.00%</u>

**Town of Lebanon, Connecticut**  
**Management's Discussion and Analysis**  
June 30, 2012

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 \$9,044,112 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 \$5,813,182 as restated, a favorable increase of approximately 55.58% or \$3,230,930. This favorable increase is due mostly to the net results of the town construction projects fund which were a positive \$2,272,564 and was the result of the unexpended portion of the bond anticipation note received in the amount of \$5,100,000. In addition, the net results of the town's general fund were a positive \$739,624. These increases 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 \$27,561,084 for the current fiscal year in comparison to \$27,163,235 in the prior fiscal year. This represents an increase of approximately 1.46% or \$397,849. This is due in large part to the current year change in property taxes, interest and liens revenue which was a positive increase in the amount of \$460,210. This increase was due to both a higher annual commitment and a higher than anticipated collection rate. In addition, the state on-behalf revenue current year change was a positive \$320,173 which was the result of the states on-behalf percentage rate increasing from 15.90% to 20.54%.
- The total expenditures of the Town's governmental funds were \$29,430,154 for the current fiscal year in comparison to \$27,504,313 as restated in the prior fiscal year. This represents an increase of approximately 7.00% or \$1,925,841. 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 \$2,477,570 due to the on going work on the Amston Lake sewer construction project. The non-major capital project fund decreased its expenditures by \$347,299 due in part to the completion of the DOT fix it first grant. In addition, the general fund education expenditures decreased by \$312,827 as a result of the budget needing to be increased in the prior fiscal year by \$365,821 due to unforeseen and unfunded expenditures which was not necessary during the current fiscal year.
- The net change in fund balance (excess or deficiency of revenues over-under expenditures) for the Town's general fund was a positive \$739,624 for the current fiscal year in comparison to a negative \$707,056 as restated for the prior fiscal year. This represents a favorable increase of over 200% 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 \$43,988 higher than the budget revenues for the current fiscal year which is a favorable variance in comparison to \$4,684 lower for the prior fiscal year which was an unfavorable variance. During the current fiscal year the actual school tuition revenue received was \$138,903 lower than the budgeted amount in comparison to \$37,194 lower for the prior fiscal year. The actual revenue amounts received from the State for education cost sharing and other related revenues were \$57,238 higher than the budgeted amount in comparison to \$61,037 lower for the prior fiscal year. In addition, during the current fiscal year the amount recorded for intergovernmental other revenues was \$51,482 higher than the budgeted amount in comparison to \$43,751 lower for the prior fiscal year.
- The actual program expenditures in the Town's general fund were \$430,613 lower than the adjusted budgeted expenditures for the current fiscal year which is a favorable variance in comparison to \$241,714 lower as restated 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 \$240,230 under the adjusted budget, the police services account which was \$22,880 under the original budget, the snow removal account line item which was \$55,612 under the original budget and the solid waste facility account which was \$33,778 under the original budget.
- In the current fiscal year, the inhabitants of the Town approved the use of \$485,000 of its unassigned general fund balance as appropriations to be transferred as a loan to the Amston Lake sewer construction project in the amount of \$350,000 and for a portion of the purchase of the synagogue road property in the amount of \$135,000. 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 \$985,821 of its unassigned fund balance in this same manner for a number of different items.

**Town of Lebanon, Connecticut**  
**Management's Discussion and Analysis**  
**June 30, 2012**

**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 Nos. 39 and 61. 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, 2012

	Governmental- activities	Component unit
<b>Assets:</b>		
Current assets:		
Cash	\$ 3,625,866	\$ 124,839
Investments	4,120,641	437,377
Accounts receivable	675,270	89
Tax acquired property	6,428	-
Inventories	11,729	-
Prepaid items	25,294	-
Total current assets	8,465,228	562,305
Capital assets		
Non-depreciable	5,368,805	-
Depreciable (net)	33,949,008	185,031
Total capital assets	39,317,813	185,031
Other assets		
Restricted cash	574,852	-
Restricted investments	2,271,200	-
Long-term accounts receivable	105,047	-
Notes receivable	639,203	-
Total other assets	3,590,302	-
<b>Total Assets</b>	<b>\$ 51,373,343</b>	<b>\$ 747,336</b>
<b>Liabilities:</b>		
Accounts payable	\$ 1,367,222	\$ 54,516
Accrued hourly payroll	103,219	2,675
Accrued summer salaries	942,904	-
Other liabilities	72,972	-
Deferred revenues	111,660	-
Short-term debt	5,100,000	-
Long-term debt		
Portion due within one year	427,618	-
Portion due after one year	3,232,917	-
Accrued compensated absences	94,632	-
Accrued landfill post closure care cost	89,131	-
Other post-employment benefit liability	1,199,900	-
Total liabilities	12,742,175	57,191
<b>Net assets:</b>		
Invested in capital assets, net of related debt	30,557,278	185,031
Restricted		
Expendable	3,086,721	-
Non-expendable	353,875	-
Unrestricted	4,633,294	505,114
Total net assets	38,631,168	690,145
<b>Total liabilities and net assets</b>	<b>\$ 51,373,343</b>	<b>\$ 747,336</b>

See the accompanying notes to the basic financial statements.



**Town of Lebanon, Connecticut**  
**Balance sheet - Governmental funds**  
 June 30, 2012

Assets	General fund	Town construction projects	Capital & nonrecurring fund	Trumbull investments fund	Non-major governmental funds	Totals
Cash	\$ 1,221,639	\$ 2,589,214	\$ -	\$ -	\$ 389,865	\$ 4,200,718
Investments	4,120,641	-	-	1,948,585	322,615	6,391,841
Receivables (net of allowance)						
Property taxes	469,313	-	-	-	5,962	475,275
Intergovernmental	88,279	-	-	-	75,116	163,395
Other	1,568	-	19,199	-	15,833	36,600
Notes receivable	-	-	-	-	639,203	639,203
Tax acquired property	6,428	-	-	-	-	6,428
Inventories	-	-	-	-	11,729	11,729
Prepaid items	25,294	-	-	-	-	25,294
Due from other funds	870,398	222,191	792,425	-	851,312	2,736,326
<b>Total assets</b>	<b>\$ 6,803,560</b>	<b>\$ 2,811,405</b>	<b>\$ 811,624</b>	<b>\$ 1,948,585</b>	<b>\$ 2,311,635</b>	<b>\$ 14,686,809</b>
<b>Liabilities and fund balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 617,392	\$ 697,509	\$ 10,615	\$ -	\$ 41,706	\$ 1,367,222
Accrued hourly payroll	87,319	-	-	-	15,900	103,219
Accrued summer salaries	939,421	-	-	-	3,483	942,904
Other liabilities	67,447	-	-	-	5,525	72,972
Deferred property tax revenues	392,906	-	-	-	-	392,906
Deferred other revenues	21,186	-	-	-	5,962	27,148
Due to other funds	1,864,276	587,126	-	-	284,924	2,736,326
<b>Total liabilities</b>	<b>3,989,947</b>	<b>1,284,635</b>	<b>10,615</b>	<b>-</b>	<b>357,500</b>	<b>5,642,697</b>
<b>Fund balances:</b>						
Nonspendable	25,294	-	-	-	328,581	353,875
Restricted	-	-	-	1,948,585	1,224,403	3,172,988
Committed	-	2,113,896	801,009	-	412,106	3,327,011
Assigned	-	-	-	-	75,377	75,377
Unassigned	2,788,319	-587,126	-	-	-86,332	2,114,861
<b>Total fund balances</b>	<b>2,813,613</b>	<b>1,526,770</b>	<b>801,009</b>	<b>1,948,585</b>	<b>1,954,135</b>	<b>9,044,112</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,803,560</b>	<b>\$ 2,811,405</b>	<b>\$ 811,624</b>	<b>\$ 1,948,585</b>	<b>\$ 2,311,635</b>	<b>\$ 14,686,809</b>

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, 2012**

Fund balances of governmental funds as shown on Statement C \$ 9,044,112

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		72,382,902	
Less accumulated depreciation		-33,065,089	39,317,813
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:			392,906
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:			-84,512
4 Inter fund receivable and payable balances between governmental funds are reported on Statement C but eliminated on the Statement A:			
Inter fund receivables		2,736,326	
Inter fund payables		-2,736,326	-
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		-1,199,900	
Bonds, notes and capital leases payable		-3,660,535	
Bond anticipation notes payable		-5,100,000	
Accrued compensated balances		-94,632	
Estimated liability for post closure landfill care		-89,131	-10,144,198
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:			105,047
Net assets of governmental activities as shown on Statement A			\$ 38,631,168

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, 2012**

	General fund	Town construction projects	Capital & nonrecurring fund	Trumbull investment funds	Non-major governmental funds	Totals
<b>Revenues</b>						
Property taxes, interest, and liens	\$ 14,797,966	\$ -	\$ -	\$ -	\$ 373,658	\$ 15,171,624
Intergovernmental - education	5,775,780	-	-	-	1,080,213	6,855,993
Intergovernmental - on behalf	1,680,491	-	-	-	-	1,680,491
Intergovernmental - tax relief	64,046	-	-	-	-	64,046
Intergovernmental - other	244,192	381,672	306,121	-	596,261	1,528,246
Tuition	887,848	-	-	-	-	887,848
Charges for services	320,577	18,530	-	-	327,379	666,486
Net change in investment fair value	-	-	-	98,823	140	98,963
Interest and dividends	13,387	9,435	-	66,841	1,061	90,724
Miscellaneous	59,468	29,786	20,025	-	407,384	516,663
<b>Total revenues</b>	<b>23,843,755</b>	<b>439,423</b>	<b>326,146</b>	<b>165,664</b>	<b>2,786,096</b>	<b>27,561,084</b>
<b>Expenditures</b>						
<b>Current:</b>						
General government	801,686	-	2,750	-	47,806	852,242
Public safety	329,301	-	-	-	31,686	360,987
Public works	981,449	-	6,775	-	43,261	1,031,485
Health & social	167,067	-	-	-	749,487	916,554
Community preservation	138,502	-	15,029	-	89,184	242,715
Education	17,274,123	4,698	21,566	-	1,452,800	18,753,187
Education - on behalf	1,680,491	-	-	-	-	1,680,491
Unclassified and program	451,440	-	4,045	195	241,916	697,596
Capital outlay	-	2,862,161	993,851	-	244,828	4,100,840
<b>Debt service:</b>						
Principle	638,395	-	-	-	-	638,395
Interest	155,662	-	-	-	-	155,662
<b>Total expenditures</b>	<b>22,618,116</b>	<b>2,866,859</b>	<b>1,044,016</b>	<b>195</b>	<b>2,900,968</b>	<b>29,430,154</b>
Excess (deficiency) of revenues over (under) expenditures	1,225,639	-2,427,436	-717,870	165,469	-114,872	-1,869,070
<b>Other financing sources (uses)</b>						
Debt issuance proceeds	-	5,100,000	-	-	-	5,100,000
Transfers in	750,067	350,000	749,400	-	213,904	2,063,371
Transfers out	-1,236,082	-750,000	-10,000	-67,096	-193	-2,063,371
<b>Total other financing sources (uses)</b>	<b>-486,015</b>	<b>4,700,000</b>	<b>739,400</b>	<b>-67,096</b>	<b>213,711</b>	<b>5,100,000</b>
Net change in fund balance	739,624	2,272,564	21,530	98,373	98,839	3,230,930
Fund balances - July 1	3,144,590	-745,794	779,479	1,850,201	1,855,296	6,883,783
Prior period adjustment	-1,070,601	-	-	-	-	-1,070,601
<b>Fund balances - July 1 - restated</b>	<b>2,073,989</b>	<b>-745,794</b>	<b>779,479</b>	<b>1,850,212</b>	<b>1,855,296</b>	<b>5,813,182</b>
<b>Fund balances - June 30</b>	<b>\$ 2,813,613</b>	<b>\$ 1,526,770</b>	<b>\$ 801,009</b>	<b>\$ 1,948,585</b>	<b>\$ 1,954,135</b>	<b>\$ 9,044,112</b>

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, 2012

Net changes in governmental fund balances as shown on Statement D \$ 3,230,930

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:

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:		
	Current year capital asset purchases to be capitalized	4,100,840	
	Current year depreciation expense on current and previous capital assets	<u>-1,568,652</u>	2,532,188
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:		29,394
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.		
	Prior year deferred revenue amounts to be recognized	131,967	
	Current year revenue amounts to be deferred	<u>-84,512</u>	47,455
4	Inter fund transfers between governmental funds are reported on Statement D but must be eliminated on Statement B:		
	Transfers in	2,063,371	
	Transfers out	<u>-2,063,371</u>	-
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:		
	Other post-employment benefits liability	-347,000	
	Bonds, notes and capital leases payable	650,566	
	Bond anticipation notes proceeds	-5,100,000	
	Accrued compensated balances	2,195	
	Estimated liability for post closure landfill care	<u>11,500</u>	-4,782,739
6	Estimated accounts receivable for 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:		
	Prior year recorded delinquent interest and lien receivable balance	-97,144	
	Current year recorded delinquent interest and lien receivable balance	<u>105,047</u>	7,903
	Change in net assets of governmental activities as shown on Statement B		<u><u>\$ 1,065,131</u></u>

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, 2012

	Original budget	Budget revisions	Final budget	Actual	Variance
<b>Revenues</b>					
Property tax revenues, interest and liens	\$ 15,152,298	\$ -	\$ 15,152,298	\$ 15,162,147	\$ 9,849
Intergovernmental - education	5,718,542	-	5,718,542	5,775,780	57,238
Intergovernmental - tax relief	66,208	-	66,208	64,046	-2,162
Intergovernmental - other	192,710	-	192,710	244,192	51,482
Tuition	1,026,751	-	1,026,751	887,848	-138,903
Charges for services	240,500	-	240,500	320,577	80,077
Interest and dividends	24,000	-	24,000	13,387	-10,613
Miscellaneous	62,448	-	62,448	59,468	-2,980
<b>Total revenues</b>	<b>22,483,457</b>	<b>-</b>	<b>22,483,457</b>	<b>22,527,445</b>	<b>43,988</b>
<b>Expenditures</b>					
<b>General government:</b>					
Legal counsel	25,000	13,215	38,215	38,214	1
Selectmen	115,992	616	116,608	116,609	-1
Elections	30,447	3,597	34,044	34,044	-
Probate court	2,479	-	2,479	2,479	-
Board of finance	2,000	-	2,000	1,423	577
Finance office	116,247	-	116,247	106,341	9,906
Tax collector	64,860	23,588	88,448	88,247	201
Board of appeals	1,000	-	1,000	787	213
Town clerk	87,264	-	87,264	87,245	19
Assessor	67,804	-	67,804	58,201	9,603
Auditor	12,350	-	12,350	12,350	-
Town report	1,200	-	1,200	900	300
Computer service	76,256	-	76,256	73,080	3,176
Town hall	53,550	-	53,550	35,422	18,128
Insurance	146,720	-	146,720	146,344	376
	<b>803,169</b>	<b>41,016</b>	<b>844,185</b>	<b>801,686</b>	<b>42,499</b>
<b>Public safety:</b>					
Police services	190,000	-	190,000	167,120	22,880
Lebanon volunteer fire department	91,350	-	91,350	91,350	-
Fire marshal	16,371	-	16,371	15,311	1,060
Burning official	2,335	750	3,085	2,949	136
Building department	21,122	283	21,405	21,404	1
Fire safety complex	31,100	-	31,100	31,117	-17
Tree warden	175	-	175	50	125
	<b>352,453</b>	<b>1,033</b>	<b>353,486</b>	<b>329,301</b>	<b>24,185</b>
<b>Public works:</b>					
Department of public works	627,786	-	627,786	624,620	3,166
Buildings and grounds	102,048	-	102,048	86,553	15,495
Snow removal	150,000	-	150,000	94,388	55,612
Street lights	1,000	1,160	2,160	2,160	-
Solid waste facility	190,000	-	190,000	156,222	33,778
Cemetery commission	12,687	-	12,687	12,190	497
Water pollution control	12,704	-	12,704	5,316	7,388
	<b>1,096,225</b>	<b>1,160</b>	<b>1,097,385</b>	<b>981,449</b>	<b>115,936</b>
<b>Health &amp; social:</b>					
Health department	15,515	686	16,201	16,202	-1
Vna	1,000	-	1,000	1,000	-
Human services	18,269	-	18,269	16,098	2,171
Wcmh Paramedic program	29,032	2,529	31,561	31,561	-

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, 2012**

	Original budget	Budget revisions	Final budget	Actual	Variance
Health & social (continued):					
United services	\$ 4,835	\$ -	\$ 4,835	\$ 4,835	\$ -
Switch board	45,734	-	45,734	45,734	-
Special events	1,000	-	1,000	1,188	-188
Senior center operations	53,907	-	53,907	50,449	3,458
	<u>169,292</u>	<u>3,215</u>	<u>172,507</u>	<u>167,067</u>	<u>5,440</u>
Community preservation:					
Planning and zoning	133,670	-	133,670	130,328	3,342
Zoning board of appeals	4,760	-	4,760	4,871	-111
Economic development commission	2,030	-	2,030	1,088	942
Flood and erosion	2,000	-	2,000	1,974	26
Conservation committee	250	-	250	241	9
	<u>142,710</u>	<u>-</u>	<u>142,710</u>	<u>138,502</u>	<u>4,208</u>
Education	<u>17,514,353</u>	<u>-</u>	<u>17,514,353</u>	<u>17,274,123</u>	<u>240,230</u>
Unclassified and program:					
Social security	92,503	-	92,503	86,240	6,263
Medical life insurance	233,253	-	233,253	243,121	-9,868
Pension plan	102,061	2,847	104,908	119,185	-14,277
Unemployment compensation	15,000	-	15,000	2,894	12,106
Contingency	120,000	-116,109	3,891	-	3,891
	<u>562,817</u>	<u>-113,262</u>	<u>449,555</u>	<u>451,440</u>	<u>-1,885</u>
Debt service:					
Principal	638,395	-	638,395	638,395	-
Interest	155,662	-	155,662	155,662	-
	<u>794,057</u>	<u>-</u>	<u>794,057</u>	<u>794,057</u>	<u>-</u>
<b>Total expenditures</b>	<u>21,435,076</u>	<u>-66,838</u>	<u>21,368,238</u>	<u>20,937,625</u>	<u>430,613</u>
Excess of revenues over (under) expenditures	<u>1,048,381</u>	<u>66,838</u>	<u>1,115,219</u>	<u>1,589,820</u>	<u>474,601</u>
Other financing sources (uses)					
Utilization of unassigned fund balance					
Temporary inter fund loan - see note 4B	-	350,000	350,000	-	-350,000
Operating and budgetary transfers	-	135,000	135,000	-	-135,000
Transfers in	-	-	-	750,067	750,067
Transfers out	-1,048,381	-551,838	-1,600,219	-1,600,263	-44
Total other financing sources (uses)	<u>-1,048,381</u>	<u>-66,838</u>	<u>-1,115,219</u>	<u>-850,196</u>	<u>265,023</u>
Net change in fund balance	-	-	-	739,624	739,624
Non-budgeted State on behalf revenue				1,680,491	
Non-budgeted State on behalf expenditure				-1,680,491	
Fund Balance - July 1				3,144,590	
Prior period adjustment				-1,070,601	
Fund balances - July 1 - restated				<u>2,073,989</u>	
Fund Balance - June 30				<u>\$ 2,813,613</u>	

See the accompanying notes to the basic financial statements.

**Town of Lebanon, Connecticut**  
Statement of net assets and Statement of revenues, expenses  
and changes in net assets - Proprietary funds  
As of and for the year ended June 30, 2012

	Internal service fund - Dental fund
<b>Assets:</b>	
Cash	\$ 14,984
Investments	-
Accounts and other receivables	-
Inventories and prepaid items	-
Due from other funds	-
<b>Total assets</b>	<b><u>\$ 14,984</u></b>
<b>Liabilities and Net Assets:</b>	
<b>Liabilities</b>	
Accounts payable	\$ 6,515
Other liabilities	500
Deferred revenues	-
Due to other funds	-
<b>Total liabilities</b>	<b><u>7,015</u></b>
<b>Net Assets</b>	
<b>Restricted</b>	
Expendable	-
Non-expendable	-
<b>Unrestricted</b>	<b><u>7,969</u></b>
<b>Total net assets</b>	<b><u>7,969</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 14,984</u></b>
<b>Operating revenues</b>	
Contributions	\$ 198,490
Interest and dividends	-
Other revenues	-
<b>Total additions</b>	<b><u>198,490</u></b>
<b>Operating expense</b>	
Dental benefits	190,521
Other expenses	-
<b>Total deductions</b>	<b><u>190,521</u></b>
Change in net assets	7,969
Net assets - July 1	<u>-</u>
Net assets - June 30	<b><u>\$ 7,969</u></b>

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut  
Statement of cash flows  
Proprietary funds  
For the year ended June 30, 2012

	Internal service fund - Dental fund
<b>Cash flows from operating activities:</b>	
Cash received from employees and employer	\$ 198,490
Cash paid to vendors	-184,006
Other items	-
Net cash provided by (used in) operations	14,484
<b>Cash flows from noncapital financing activities:</b>	
Transfers from other funds	500
Transfers to other funds	-
Other items	-
Net cash provided by (used in) noncapital financing activities	500
<b>Cash flows from investing activities:</b>	
Investment income	-
Other items	-
Net cash provided by (used in) investing activities	-
Increase (decrease) in cash and cash equivalents	14,984
Cash and cash equivalents - July 1	-
Cash and cash equivalents - June 30	\$ 14,984
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>	
Operating income (loss)	\$ 7,969
Adjustments to reconcile operating income (loss) to net cash provided by (used) in operating activities:	
Changes in operating assets and liabilities	
Increase (decrease) in accounts payable	6,515
Increase (decrease) in other liabilities	500
Net cash provided by (used in) operating activities	\$ 14,984

See the accompanying notes to the basic financial statements.

**Town of Lebanon, Connecticut**  
**Statement of fiduciary net assets and Statement of changes**  
**in fiduciary net assets - Fiduciary funds**  
**As of and for the year ended June 30, 2012**

	Private purpose trusts	Agency funds	Total
<b>Assets:</b>			
Cash	\$ 12,204	\$ 88,207	\$ 100,411
Investments	70,673	25,558	96,231
Accounts and other receivables	-	-	-
Inventories and prepaid items	-	-	-
Due from other funds	-	-	-
Total assets	<u>\$ 82,877</u>	<u>\$ 113,765</u>	<u>\$ 196,642</u>
<b>Liabilities and Net Assets:</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ -
Deferred revenues	-	-	-
Due to other funds	-	-	-
Due to student groups	-	97,442	97,442
Due to other groups	-	16,323	16,323
Total liabilities	<u>-</u>	<u>113,765</u>	<u>113,765</u>
<b>Net Assets</b>			
<b>Restricted</b>			
Expendable	82,877	-	82,877
Non-expendable	-	-	-
<b>Unrestricted</b>			
Total net assets	<u>82,877</u>	<u>-</u>	<u>82,877</u>
Total liabilities and net assets	<u>\$ 82,877</u>	<u>\$ 113,765</u>	<u>\$ 196,642</u>
<b>Additions</b>			
Property tax revenues	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-
Interest and dividends	413	-	413
Net change in investment fair value	-	-	-
Miscellaneous	-	-	-
Total additions	<u>413</u>	<u>-</u>	<u>413</u>
<b>Deductions</b>			
Salary and wages	-	-	-
Program operating costs	1,728	-	1,728
Capital expenditures	-	-	-
Total deductions	<u>1,728</u>	<u>-</u>	<u>1,728</u>
Change in net assets	-1,315	-	-1,315
Net assets - July 1	84,192	-	84,192
Net assets - June 30	<u>\$ 82,877</u>	<u>\$ -</u>	<u>\$ 82,877</u>

See the accompanying notes to the basic financial statements.

**Town of Lebanon, Connecticut**  
Notes to the basic financial statements  
June 30, 2012

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 Nos. 39 and 61. 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 \$19,199 to the Town during the current fiscal year. This amount is shown as a miscellaneous revenue item within the capital and non-recurring major fund of the Town 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, 2012

**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, 2012

**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 proprietary net assets, a statement of revenues, expenses and changes in proprietary net assets, a statement of cash flows for proprietary funds, and 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, proprietary 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.

Proprietary and fiduciary fund reporting focuses on net assets and changes in net assets. The proprietary funds of the town consist of the an internal service fund which is used to account for the self funding dental activities of the town. 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 pages 28 and 29. 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, 2012

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 proprietary net assets, the statement of revenues, expenses and changes in proprietary net assets and the statement of proprietary cash flows report the activity of the town's internal service fund which accounts for its self funding dental activities. The statement of fiduciary net assets and statement of changes in fiduciary net assets report the activity of the town's private purpose trust funds and agency funds.

## **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 may classify money market accounts and certificates of deposit accounts as investments regardless of maturity when they are used to gain a higher interest rate 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 in the Trumbull investments fund.

### **F. Revenue recognition - property taxes**

The Town's property tax for the current year was levied May 12, 2011 on the grand list as of October 1, 2010, for the real, motor vehicle and personal property located in the Town at a rate of 22.8 mills. Real estate, personal property and motor vehicle taxes were due on July 1, 2011, and January 1, 2012. Supplemental motor vehicle taxes were due on January 1, 2012. 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, 2012

**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 other miscellaneous amounts. On the government-wide financial statements, the current year accounts receivable balance of \$675,270 is made up of general property taxes receivable of \$469,313, the Lake Williams special assessment receivable of \$5,962, state, federal and other grant receivables of \$163,395 and other miscellaneous receivables of \$36,600. The long-term accounts receivable balance of \$105,047 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 \$639,203 is related to a CDBG grant and loan fund program received and entered into by the Town which is more fully described in note 10 on page 36. 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. The Town currently has recorded an inventory amount of \$11,729 as it relates to the school lunch program.

**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, 2012

**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. The capital assets of the component unit of the Town are accounted for in the same manner.

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 \$111,660 on the government-wide financial statements is made up of unearned Town and educational grant balances of \$84,512, property tax receipts collected in the current fiscal year which relate to the upcoming fiscal year assessment in the amount of \$2,292, the outstanding Lake Williams special assessment balance of \$5,962 and other miscellaneous items in the amount of \$18,894. 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 \$420,054 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 \$392,906, property tax receipts collected in the current fiscal year which relate to the upcoming fiscal year assessment in the amount of \$2,292, the outstanding Lake Williams special assessment balance of \$5,962 and other miscellaneous items in the amount of \$18,894. 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

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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, 2011.

	Revenues and other financing sources	Expenditures and other financing uses	Net change in fund balance
Statement D - GAAP basis	\$ 24,243,822	\$ -23,504,198	\$ 739,624
Tax commitment for special revenue funds	364,181	-364,181	-
State on-behalf payments	-1,680,491	1,680,491	-
Current fiscal year encumbrances	-	-	-
Prior fiscal year encumbrances	-	-	-
Statement E - Budgetary basis	<u>\$ 22,927,512</u>	<u>\$ -22,187,888</u>	<u>\$ 739,624</u>

**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 interest and dividend 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.

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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.

	General fund	Town construction projects	Capital & nonrecurring fund	Trumbull investments fund	Non-major governmental funds	Totals
<b>Fund balances:</b>						
<b>Nonspendable:</b>						
Prepaid items	\$ 25,294	\$ -	\$ -	\$ -	\$ -	\$ 25,294
Non-USDA inventory	-	-	-	-	6,311	6,311
Permanent funds principal	-	-	-	-	322,270	322,270
<b>Restricted:</b>						
Town grants	-	-	-	-	65,336	65,336
Educational grants	-	-	-	-	19,188	19,188
Educational programs	-	-	-	-	71,827	71,827
Educational activity accounts	-	-	-	-	76,297	76,297
Trumbull donations funds	-	-	-	1,948,585	242,923	2,191,508
Other town donation funds	-	-	-	-	37,234	37,234
Housing rehab income fund	-	-	-	-	663,151	663,151
Enabling legislation funds	-	-	-	-	46,694	46,694
Permanent funds non-principal	-	-	-	-	1,753	1,753
<b>Committed:</b>						
Town construction projects	-	2,113,896	-	-	-	211,896
Capital nonrecurring balances	-	-	801,009	-	-	801,009
Lebanon public library	-	-	-	-	79,422	79,422
Lebanon recreation commission	-	-	-	-	46,920	46,920
Jonathan Trumbull Jr. house	-	-	-	-	40,997	40,997
Adams community center	-	-	-	-	32,954	32,954
Town improvement program	-	-	-	-	51,777	51,777
Senior vans program	-	-	-	-	105,952	105,952
Lake Williams project	-	-	-	-	54,084	54,084
<b>Assigned:</b>						
Dog fund	-	-	-	-	2,637	2,637
Fema storm grant funds	-	-	-	-	48,869	48,869
Summer dance festival	-	-	-	-	12,916	12,916
Cemetery lot funds	-	-	-	-	832	832
Historic building funds	-	-	-	-	10,123	10,123
<b>Unassigned:</b>						
General fund	2,788,319	-	-	-	-	2,788,319
Town construction projects	-	-587,126	-	-	-	-587,126
Town grants	-	-	-	-	-57,600	-57,600
Educational grants	-	-	-	-	-28,732	-28,732
<b>Total fund balances</b>	<b>\$ 2,813,613</b>	<b>\$ 1,526,770</b>	<b>\$ 801,009</b>	<b>\$ 1,948,585</b>	<b>\$ 1,954,135</b>	<b>\$ 9,044,112</b>

**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, 2012 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.

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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 \$157,579 and related solely to the long-term bonds, notes and capital leases payable outstanding. The entire amount of interest expense incurred was charged to expense. Interest expense of \$155,662 was shown as a general fund line item and \$1,917 was part of the general fund education line item.

**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 Town's 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 \$322,615. 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	\$	24,306
State, federal, and other grant program balances deferred		84,511
Principal balance of non-major permanent funds		9,512
Restricted donation funds		280,167
Enabling legislation program funds		46,694
Educational activity accounts and program funds		129,662
	<u>\$</u>	<u>574,852</u>

**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 \$8,820,591 which is shown in the financial statements as cash balances of \$4,322,448 and investment balances of \$4,498,143 which represent money market accounts and certificates of deposit. The corresponding bank balances of these accounts at various financial institutions totaled \$9,097,091 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, \$2,238,629 was covered by FDIC with the remaining \$6,858,462 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 \$562,216 which is shown in the financial statements as cash balances of \$124,839 and investment balances of \$437,377 which represent money market accounts and certificates of deposit. The corresponding bank balances of these accounts at various financial institutions totaled \$563,906 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 \$313,906 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, 2012.

Type	Fair value	Maturities in years			Credit ratings	
		Less than 1 year	1 - 5 years	6 - 10 years	Moody's	S & P
<b>Governmental funds:</b>						
CT short term investment fund	\$ 24,915	\$ 24,915	\$ -	\$ -	not rated	AAAm
Preferred stocks	10,575	10,575	-	-	not rated	BBB+
Money market and certificates	4,408,245	4,095,726	312,519	-	not rated	not rated
Mutual funds fixed income	68,403	68,403	-	-	not rated	not rated
Money market ready asset funds	17,670	17,670	-	-	not rated	not rated
U.S. Treasury notes	72,298	50,273	22,025	-	Aaa	AAA
Corporate bonds	29,528	-	-	29,528	A2	A-
	<u>4,631,634</u>	<u>\$4,267,562</u>	<u>\$ 334,544</u>	<u>\$ 29,528</u>		
Stock equities	1,732,146					
Mutual fund equities	28,061					
	<u>\$ 6,391,841</u>					
<b>Fiduciary funds:</b>						
Money market and certificates	<u>\$ 89,898</u>	<u>\$ 87,441</u>	<u>\$ 2,457</u>	<u>\$ -</u>	not rated	not rated
<b>Discretely presented component unit:</b>						
Lebanon volunteer fire department						
Money market and certificates	<u>\$ 437,377</u>	<u>\$ 275,167</u>	<u>\$ 162,210</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 authorized to be carried by the Town are in accordance with those authorized by the State of Connecticut. These investments

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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 investments other than those authorized by the State in situations where they have been donated to 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
<b>General fund:</b>		
Town construction projects	\$ 587,126	\$ 222,191
Capital and non-recurring fund	-	792,425
Non-major special revenue funds	218,488	794,735
Non-major capital project funds	58,440	54,925
Non-major permanent funds	6,344	-
	\$ 870,398	\$ 1,864,276

**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. 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 \$350,000 transfer from the general fund to the town construction projects fund represents a current fiscal year loan from the unassigned general fund balance to the Amston Lake sewer construction project. A loan in the amount of \$400,000 was made in this same manner in the prior fiscal year. The \$750,000 transfer to the general fund from the town construction projects fund represents the current fiscal year repayment of these two loans. The \$135,000 transfer from the general fund represents the general funds approved portion of the purchase price for the synagogue road property which was transferred to the cemetery lots special revenue fund where the full purchase was recorded. 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 \$364,181 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
<b>General fund:</b>		
Town construction projects	\$ 750,000	\$ -350,000
Capital and non-recurring fund	-	-749,400
Non-major special revenue funds	-	-135,000
Non-major permanent funds	67	-1,682
	\$ 750,067	\$ -1,236,082
<b>Town construction projects:</b>		
General fund	\$ 350,000	\$ -750,000
<b>Capital and non-recurring fund:</b>		
General fund	\$ 749,400	\$ -
Non-major special revenue funds	-	-10,000
	\$ 749,400	\$ -10,000
<b>Trumbull investments fund:</b>		
Non-major special revenue funds	\$ -	\$ -67,096

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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, 2012. 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 26 of the notes to the financial statements.

<b>Governmental activities:</b>	Balance 07/01/11	Additions	Retirements	Balance 06/30/12
Capital assets not being depreciated:				
Land and improvements	\$ 1,896,289	\$ 225,000	\$ -	\$ 2,121,289
Construction in progress	564,655	3,067,020	-384,159	3,247,516
Total at historical value	<u>2,460,944</u>	<u>3,292,020</u>	<u>-384,159</u>	<u>5,368,805</u>
Capital assets being depreciated:				
Buildings and improvements	35,767,406	16,905	-	35,784,311
Vehicles	3,600,939	256,388	-132,764	3,724,563
Equipment	782,688	86,050	-	868,738
Infrastructure	25,802,849	833,636	-	26,636,485
Total at historical value	<u>65,953,882</u>	<u>1,192,979</u>	<u>-132,764</u>	<u>67,014,097</u>
Less accumulated depreciation for:				
Building and improvements	-11,323,880	-	-865,955	-12,189,835
Vehicles	-2,255,942	132,764	-178,421	-2,301,599
Equipment	-584,449	-	-64,865	-649,314
Infrastructure	-17,464,930	-	-459,411	-17,924,341
Total accumulated depreciation	<u>-31,629,201</u>	<u>132,764</u>	<u>-1,568,652</u>	<u>-33,065,089</u>
Total capital assets being depreciated (net)	<u>34,324,681</u>	<u>1,325,743</u>	<u>-1,701,416</u>	<u>33,949,008</u>
Governmental activities capital assets (net)	<u>\$ 36,785,625</u>	<u>\$ 4,617,763</u>	<u>\$ -2,085,575</u>	<u>\$ 39,317,813</u>

**Depreciation expense by function or department:**

General government	\$ 6,910
Public safety	145,844
Public works	79,516
Health & social	64,639
Education	810,872
Unclassified	1,460
General infrastructure depreciation	459,411
	<u>\$ 1,568,652</u>

<b>Component unit:</b>	Balance 07/01/11	Additions	Retirements	Balance 06/30/12
Capital assets being depreciated:				
Buildings and improvements	\$ 164,921	\$ -	\$ -	\$ 164,921
Vehicles and equipment	131,309	26,372	-	157,681
	<u>296,230</u>	<u>26,372</u>	<u>-</u>	<u>322,602</u>
Less accumulated depreciation for:				
Buildings and improvements	-31,703	-	-9,317	-41,020
Vehicles and equipment	-73,779	-	-22,772	-96,551
	<u>-105,482</u>	<u>-</u>	<u>-32,089</u>	<u>-137,571</u>
Total component unit capital assets (net)	<u>\$ 190,748</u>	<u>\$ 26,372</u>	<u>\$ -32,089</u>	<u>\$ 185,031</u>

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**Note 6 - Long-term debt liabilities - government-wide financial statements only**

Governmental activities:	Balance 07/1/11	Additions	Reductions	Balance 06/30/12	Amount due within one year
<b>Outstanding payables:</b>					
\$5,750,000 bond payable	\$ 3,825,000	\$ -	\$ -385,000	\$ 3,440,000	\$ 385,000
\$4,500,000 bond payable	225,000	-	-225,000	-	-
\$486,650 note payable	215,813	-	-28,395	187,418	29,847
\$62,480 capital lease payable	45,288	-	-12,171	33,117	12,771
Total outstanding payables	<u>4,311,101</u>	<u>-</u>	<u>-650,566</u>	<u>3,660,535</u>	<u>427,618</u>
<b>Other liabilities:</b>					
Accrued comp. absences - school	67,122	-	-801	66,321	
Accrued comp. absences - town	29,705	-	-1,394	28,311	
Accrued landfill post-closure costs	100,631	-	-11,500	89,131	
Total other liabilities	<u>197,458</u>	<u>-</u>	<u>-13,695</u>	<u>183,763</u>	
<b>Total long-term liabilities</b>	<u>\$ 4,508,559</u>	<u>\$ -</u>	<u>\$ -664,261</u>	<u>\$ 3,844,298</u>	<u>\$ 427,618</u>

The following sections outline the terms, conditions, and ending balance of the outstanding bonds, capital leases and accrued compensated balances of the Town as of June 30, 2012:

**A. 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%. \$ 3,440,000

\$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. 187,418  
\$ 3,627,418

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
\$ 414,847	\$ 132,098	\$ 546,945	\$ 402,112	\$ 50,908	\$ 453,020
416,374	115,941	532,315	380,000	36,100	416,100
417,979	99,706	517,685	380,000	21,660	401,660
419,666	83,389	503,055	380,000	7,220	387,220
416,440	67,080	483,520	<u>3,627,418</u>	<u>614,102</u>	<u>4,241,520</u>

**B. Capital leases payable**

The capital lease of the Town is related to a lease purchase agreement for photocopiers through the Board of Education. This lease purchase agreement runs from January of 2010 through June of 2015 with monthly payments of \$1,174. The gross amount of the photocopiers recorded as an equipment type capital asset is \$62,480. This item is being amortized over a 7 year period and the accumulated amortization (depreciation) taken as of June 30, 2012 was \$22,315. The annual payments on this lease for the next three fiscal years is equal to approximately \$14,088, \$14,088 and \$7,044 per year. The amount of these payments representing interest is equal to approximately \$2,103 leaving the net present value of future minimum lease payments equaling \$33,117.

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**C. 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, 2012, school accumulated sick balances totaled approximately \$337,078. A current portion of these recorded 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.

**D. 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, 2012 the amount outstanding for post-closure monitoring was \$89,131 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 - Short-term debt liabilities - government-wide financial statements only**

The Town entered into a bond anticipation note agreement in October of 2011 in the amount of \$5,100,000 to provide interim funding for the Amston lake sewer construction project which is being account for within the town construction projects major fund within the fund financial statements. The note was issued at a premium of \$22,886 and runs through October of 2012 with interest at 1.00%. This bond anticipation note is not being shown as a liability within the fund financial statements because the town will be refinancing this short-term note on a long-term basis as described in the subsequent events note 18 on page 42.

**Note 8 - 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, 2012. These deficit fund balances represent an excess of expenditures over actual revenues, appropriations, and recorded receivables. The LES building project was jointly funded by the State and the Town. The current deficit in this fund represents the Town's estimated portion to date which will be appropriated in an 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 was subsequently audited and reviewed 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.

<b>Major funds:</b>		<b>Non-major funds:</b>	
Town construction projects		Special revenue funds	
LES building project	\$ -585,232	Survey and planning grant	\$ -1
Senior center construction project	-1,894	School vo-ag equipment grant	-27,749
	<u>\$ -587,126</u>	School educational grants	-983
		Capital project funds	-32,979
		Town bridge projects	-92
		Dot fix it first grant	-24,528
		Tyler field project grant	<u>\$ -86,332</u>

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**Note 9 - 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, 2012.

	Governmental activities	Component unit
Recorded value of capital assets	\$ 72,382,902	\$ 322,601
Less accumulated depreciation	-33,065,089	-137,570
Book value of capital assets	39,317,813	185,031
Less capital assets related debt	-8,760,535	-
Total invested in capital assets, net of related debt	\$ 30,557,278	\$ 185,031

**Note 10 - 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 annual forgiven 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, 2012, the following balances represent the loan fund described above.

Cash and restricted cash	\$ 23,948
Due from other funds	-
Notes receivable (net of allowance)	639,203
Restricted net assets and restricted fund balance	-663,151
	\$ -

**Note 11 - 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, 2012. 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, 2012, the Lebanon Board of Education's total covered payroll was approximately \$8,181,554 and the applicable on-behalf payment percentage for the period was 20.54%. 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 \$1,680,491 and an education expenditure of \$1,680,491 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 \$1,680,491 and an expense in the governmental activities section under a separate education function line item of \$1,680,491 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 20.54% compares to 15.90% during the prior fiscal year. The above State on-behalf payment of \$1,680,491 compares to \$1,360,318 during the prior fiscal year.

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**Note 12 - 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 Connecticut Municipal Employees' Retirement System, 55 Elm Street - Third Floor, Office of the State Comptroller, Hartford, Connecticut 06106.

**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, 2012 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, 2012, 2011, and 2010 were \$72,720, \$53,857, and \$42,609, respectively. These actual contributions represent 100% of the contributions required to be made. These contributions are more fully broken down as follows:

Town hall and library employees:	2012	2011	2010
Contributions	\$ 61,581	\$ 42,818	\$ 31,770
Fees	2,000	1,900	1,700
Amortization	9,139	9,139	9,139
	\$ 72,720	\$ 53,857	\$ 42,609

The Town's total actual contributions for highway department covered employees for the years ended June 30, 2012, 2011, and 2010 were \$58,473, \$49,774, and \$40,116, respectively. These actual contributions represent 100% of the contributions required to be made. These contributions are more fully broken down as follows:

Highway department employees:	2012	2011	2010
Contributions	\$ 52,761	\$ 44,062	\$ 34,404
Fees	1,100	1,100	1,100
Amortization	4,612	4,612	4,612
	\$ 58,473	\$ 49,774	\$ 40,116

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**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, 2012. Based on that actuarial valuation, the contribution percentage for the normal cost of the plan was 9.73% and the contribution percentage for the accrued liability cost of the plan was 20.40% for a total required contribution percentage of 30.13%. The covered employees required contribution percentage was 6.00% leaving the required contribution percentage of the State as 24.13%. Additional information on the plan can be obtained from the Teachers' Retirement Board, 765 Asylum Avenue, Hartford, Connecticut 06105.

**Note 13 - 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

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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 retiree's 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	\$	156,000
Amortization of unfunded actuarial accrued liability		303,000
Interest		9,000
Annual required contribution (ARC)		<u>468,000</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, 2012 are as follows.

Annual required contribution (ARC)	\$	468,000
Interest on beginning NOO (B) at 4.00%		34,100
Adjustment to ARC beginning NOO (B) divided by 17.98		<u>-47,400</u>
Annual OPEB Cost		454,700
Amount contributed		<u>-107,700</u>
 Increase in Net OPEB Obligation		 347,000
 Net OPEB Obligation as of June 30, 2011 (B)		 <u>852,900</u>
 Net OPEB Obligation as of June 30, 2012		 <u>\$ 1,199,900</u>

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**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	\$ -	\$ 4,998,000	\$ 4,998,000	0.00%	\$ 9,850,000	50.70%
07/01/10	\$ -	\$ 5,448,000	\$ 5,448,000	0.00%	\$ 10,213,000	53.30%

**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)
06/30/10	\$ 436,000	\$ 166,200	38.10%	\$ 599,900
06/30/11	\$ 462,000	\$ 199,600	38.10%	\$ 852,900
06/30/12	\$ 468,000	\$ 107,700	23.00%	\$ 1,199,900

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**Note 14 - 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 15 - 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. A lawsuit by two former employees has been filed and is pending in the United States District Court for the District of Connecticut against the Board of Education as well as a current member of the management of the Board. These lawsuits 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. 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. In addition, another lawsuit has been brought against the Town relating to the conditions of termination for an employee who left the employment of the Town. The Town is vigorously defending this matter. A conclusion cannot be determined at this time as to the likelihood of an unfavorable outcome and in turn a range of any possible losses relating to this matter 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 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 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 mowing and trimming contract through June 30, 2014 for its recreational fields for a total amount of \$13,800 plus additional costs for additional services. 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 snow removal contract through April 15, 2013 at a rate of \$58,900 to be paid in five equal installments. 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. 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.

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, 2012 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.

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June 30, 2012

**Note 16 - Prior period adjustment**

A prior period adjustment was made to the government-wide and the fund financial statements as of June 30, 2011 relating to the correction of the manner in which the town accounts for the year end hourly salaries for town hall employees and teachers summer salaries for Board of Education employees. The Town had always accounted for these two items on the cash basis posting them as expenses to the period in which the amounts were paid rather than the period in which the amounts were earned. This was not in accordance with generally accepted accounting principles. The Town recorded a prior period adjustment in the amount of \$35,491 as of June 30, 2011 for the hourly salaries of town hall employees which had been earned as of June 30, 2011 but which were paid during the first week of July of 2011. The Town also recorded a prior period adjustment in the amount of \$1,035,110 as of June 30, 2011 for teacher summer salaries which had been earned as of June 30, 2011 but which were paid during July and August of 2011. These two adjustments increased the recorded liabilities and decrease the general fund balance in the fund financial statements and the unrestricted net asset balance in the government-wide financial statements by the combined amount of \$1,070,601 as of June 30, 2011. There were other related adjustments that needed to be made to the management discussion and analysis section of the financial statements to implement this and the following prior period adjustment.

A prior period adjustments was also made to the government-wide financial statements as of June 30, 2011 relating to the correction of the accounting for a copier lease of the Board of Education. The lease was incorrectly classified as an operating lease rather than a capital lease in accordance with generally accepted accounting principles. The Town increased the depreciable capital assets equipment balance by \$62,480 and the related accumulated equipment depreciation by \$13,389 for a net increase of \$49,091 as of June 30, 2011. The Town also increase the capital lease payable outstanding balance by \$45,288 as of June 30, 2011. These two adjustments increased the invested in capital assets, net of related debt net asset balance by \$3,803 as of June 30, 2011.

A prior period adjustment was also made to the government-wide financial statements as of June 30, 2011 relating to the omission of the capital assets of the discretely presented component unit which are required to be recorded in accordance with generally accepted accounting principles. Depreciable capital assets, net of the accumulated depreciation were added in the amount of \$190,748 which increased the invested in capital assets, net of related debt net asset balance by \$190,748 as of June 30, 2011.

**Note 17 - 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, 2012. 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 18 - Subsequent events**

The Town entered into a bond anticipation note agreement on October 3, 2012 in the amount of \$6,433,000. The proceeds of this loan were used to repay a previous bond anticipation note in the amount of \$5,100,000 relating to the Amston Lake sewer construction project which is being accounted for within the town construction projects major fund in the Town's financial statements. Under this bond anticipation note agreement, the entire principal amount plus interest at .50% is due on January 17, 2013. On January 17, 2013 the Town received a grant in the amount of \$1,445,000 and a loan in the amount of \$5,105,000 from the United States Department of Agriculture - Rural Development. The proceeds from this grant and loan were used to repay the aforementioned bond anticipation agreement and represent the long-term funding of the Amston Lake sewer construction project. This loan is payable in annual installments representing principal and interest in the amount of \$203,384 starting January 17, 2014 and ending January 17, 2052 with a final principal and interest amount of \$202,034 payable on January 17, 2053. The interest rate on this loan is 2.50%. In addition, the Town entered into a capital lease purchase agreement on October 9, 2012 in the amount of \$180,446. This lease was for the purchase of three public works vehicles. Monthly payments under this lease are \$5,000 starting on October 15, 2012 and ending December 15, 2015. The interest rate on this capital lease is 3.65%. The Town has evaluated subsequent events through January 21, 2013, 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, 2012

	Non-major special revenue funds	Non-major capital project funds	Non-major permanent funds	Totals
<b>Assets</b>				
Cash	\$ 380,353	\$ -	\$ 9,512	\$ 389,865
Investments	-	-	322,615	322,615
Accounts and other receivables	730,152	5,962	-	736,114
Inventories and prepaid items	11,729	-	-	11,729
Due from other funds	796,387	54,925	-	851,312
Total assets	<u>1,918,621</u>	<u>60,887</u>	<u>332,127</u>	<u>2,311,635</u>
<b>Liabilities</b>				
Accounts payable	41,706	-	-	41,706
Other liabilities	24,800	5,962	108	30,870
Due to other funds	218,488	58,440	7,996	284,924
Total liabilities	<u>284,994</u>	<u>64,402</u>	<u>8,104</u>	<u>357,500</u>
<b>Fund balance</b>				
Nonspendable	6,311	-	322,270	328,581
Restricted	1,222,650	-	1,753	1,224,403
Committed	358,022	54,084	-	412,106
Assigned	75,377	-	-	75,377
Unassigned	-28,733	-57,599	-	-86,332
Total fund balance	<u>1,633,627</u>	<u>-3,515</u>	<u>324,023</u>	<u>1,954,135</u>
Total liabilities and fund balance	<u>\$ 1,918,621</u>	<u>\$ 60,887</u>	<u>\$ 332,127</u>	<u>\$ 2,311,635</u>
<b>Revenues</b>				
Property tax revenues	\$ 364,181	\$ 9,477	\$ -	\$ 373,658
Intergovernmental revenues	1,494,807	181,667	-	1,676,474
Interest and dividends	290	-	911	1,201
Charges for services	327,379	-	-	327,379
Miscellaneous	407,384	-	-	407,384
Total revenues	<u>2,594,041</u>	<u>191,144</u>	<u>911</u>	<u>2,786,096</u>
<b>Expenditures</b>				
Salary and wages	986,243	-	-	986,243
Program operating costs	1,482,709	186,955	233	1,669,897
Capital expenditures	225,000	19,828	-	244,828
Total expenditures	<u>2,693,952</u>	<u>206,783</u>	<u>233</u>	<u>2,900,968</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-99,911</u>	<u>-15,639</u>	<u>678</u>	<u>-114,872</u>
<b>Other financing sources (uses)</b>				
Transfers in	212,221	-	1,683	213,904
Transfers out	-	-	-193	-193
Total other financing sources (uses)	<u>212,221</u>	<u>-</u>	<u>1,490</u>	<u>213,711</u>
Net change in fund balance	112,310	-15,639	2,168	98,839
Fund balance - July 1	<u>1,521,317</u>	<u>12,124</u>	<u>321,855</u>	<u>1,855,296</u>
Fund balance - June 30	<u>\$ 1,633,627</u>	<u>\$ -3,515</u>	<u>\$ 324,023</u>	<u>\$ 1,954,135</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, 2012

	Lebanon public library	Lebanon recreation commission	Jonathan Trumbull Jr. house	Adams community center	Town improvement program	Senior vans program
<b>Assets</b>						
Cash	\$ -	\$ -	\$ 39,389	\$ -	\$ -	\$ 421
Investments	-	-	-	-	-	-
Accounts and other receivables	12,579	-	1,222	2,032	-	5,958
Inventories and prepaid items	-	-	-	-	-	-
Due from other funds	78,482	54,758	1,154	32,032	54,093	102,951
<b>Total assets</b>	<b>91,061</b>	<b>54,758</b>	<b>41,765</b>	<b>34,064</b>	<b>54,093</b>	<b>109,330</b>
<b>Liabilities</b>						
Accounts payable	5,669	3,711	446	1,110	316	1,324
Other liabilities	5,970	4,127	322	-	2,000	2,054
Due to other funds	-	-	-	-	-	-
<b>Total liabilities</b>	<b>11,639</b>	<b>7,838</b>	<b>768</b>	<b>1,110</b>	<b>2,316</b>	<b>3,378</b>
<b>Fund balance</b>						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	79,422	46,920	40,997	32,954	51,777	105,952
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
<b>Total fund balance</b>	<b>79,422</b>	<b>46,920</b>	<b>40,997</b>	<b>32,954</b>	<b>51,777</b>	<b>105,952</b>
<b>Total liabilities and fund balance</b>	<b>\$ 91,061</b>	<b>\$ 54,758</b>	<b>\$ 41,765</b>	<b>\$ 34,064</b>	<b>\$ 54,093</b>	<b>\$ 109,330</b>
<b>Revenues</b>						
Property tax revenues	\$ 238,431	\$ 32,500	\$ -	\$ 100	\$ 10,000	\$ 63,000
Intergovernmental revenues	2,218	-	-	-	-	23,831
Interest and dividends	-	-	100	-	-	-
Charges for services	-	53,337	-	2,850	-	4,205
Miscellaneous	85,255	-	16,269	-	-	-
<b>Total revenues</b>	<b>325,904</b>	<b>85,837</b>	<b>16,369</b>	<b>2,950</b>	<b>10,000</b>	<b>91,036</b>
<b>Expenditures</b>						
Salary and wages	164,284	31,891	5,716	-	-	37,811
Program operating costs	147,713	41,763	38,848	19,031	21,732	32,751
Capital expenditures	-	-	-	-	-	-
<b>Total expenditures</b>	<b>311,997</b>	<b>73,654</b>	<b>44,564</b>	<b>19,031</b>	<b>21,732</b>	<b>70,562</b>
Excess (deficiency) of revenues over (under) expenditures	13,907	12,183	-28,195	-16,081	-11,732	20,474
<b>Other financing sources (uses)</b>						
Transfers in	35,131	-	12,370	19,720	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>35,131</b>	<b>-</b>	<b>12,370</b>	<b>19,720</b>	<b>-</b>	<b>-</b>
Net change in fund balance	49,038	12,183	-15,825	3,639	-11,732	20,474
<b>Fund balance - July 1</b>	<b>30,384</b>	<b>34,737</b>	<b>56,822</b>	<b>29,315</b>	<b>63,509</b>	<b>85,478</b>
<b>Fund balance - June 30</b>	<b>\$ 79,422</b>	<b>\$ 46,920</b>	<b>\$ 40,997</b>	<b>\$ 32,954</b>	<b>\$ 51,777</b>	<b>\$ 105,952</b>

**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, 2012

	Lebanon dog fund	Trumbull donations fund	School lunch program	Historic document preservation	Locip surcharge assessment	Housing rehab income
<b>Assets</b>						
Cash	\$ -	\$ -	\$ 53,365	\$ -	\$ -	\$ 23,948
Investments	-	-	-	-	-	-
Accounts and other receivables	-	-	18,307	-	-	639,203
Inventories and prepaid items	-	-	11,729	-	-	-
Due from other funds	2,817	242,923	3,743	14,047	32,647	-
<b>Total assets</b>	<b>2,817</b>	<b>242,923</b>	<b>87,144</b>	<b>14,047</b>	<b>32,647</b>	<b>663,151</b>
<b>Liabilities</b>						
Accounts payable	180	-	-	-	-	-
Other liabilities	-	-	5,418	-	-	-
Due to other funds	-	-	3,588	-	-	-
<b>Total liabilities</b>	<b>180</b>	<b>-</b>	<b>9,006</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balance</b>						
Nonspendable	-	-	6,311	-	-	-
Restricted	-	242,923	71,827	14,047	32,647	663,151
Committed	-	-	-	-	-	-
Assigned	2,637	-	-	-	-	-
Unassigned	-	-	-	-	-	-
<b>Total fund balance</b>	<b>2,637</b>	<b>242,923</b>	<b>78,138</b>	<b>14,047</b>	<b>32,647</b>	<b>663,151</b>
<b>Total liabilities and fund balance</b>	<b>\$ 2,817</b>	<b>\$ 242,923</b>	<b>\$ 87,144</b>	<b>\$ 14,047</b>	<b>\$ 32,647</b>	<b>\$ 663,151</b>
<b>Revenues</b>						
Property tax revenues	\$ 17,000	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	122,356	3,500	-	-
Interest and dividends	-	-	69	-	-	-
Charges for services	6,665	-	246,877	2,781	4,164	-
Miscellaneous	-	-	6,617	-	-	127,389
<b>Total revenues</b>	<b>23,665</b>	<b>-</b>	<b>375,919</b>	<b>6,281</b>	<b>4,164</b>	<b>127,389</b>
<b>Expenditures</b>						
Salary and wages	18	-	227,449	-	-	-
Program operating costs	19,175	1,040	150,812	7,449	-	50,209
Capital expenditures	-	-	-	-	-	-
<b>Total expenditures</b>	<b>19,193</b>	<b>1,040</b>	<b>378,261</b>	<b>7,449</b>	<b>-</b>	<b>50,209</b>
Excess (deficiency) of revenues over (under) expenditures	4,472	-1,040	-2,342	-1,168	4,164	77,180
<b>Other financing sources (uses)</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>4,472</b>	<b>-1,040</b>	<b>-2,342</b>	<b>-1,168</b>	<b>4,164</b>	<b>77,180</b>
<b>Fund balance - July 1</b>	<b>-1,835</b>	<b>243,963</b>	<b>80,480</b>	<b>15,215</b>	<b>28,483</b>	<b>585,971</b>
<b>Fund balance - June 30</b>	<b>\$ 2,637</b>	<b>\$ 242,923</b>	<b>\$ 78,138</b>	<b>\$ 14,047</b>	<b>\$ 32,647</b>	<b>\$ 663,151</b>

**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, 2012

	Housing rehab grant	Village center grant	Survey planning grant	Unimproved town roads grant	Agriculture viability grant	Agriculture viability grant
<b>Assets</b>						
Cash	\$ 18,258	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-
Accounts and other receivables	6,742	6,350	9,771	-	-	-
Inventories and prepaid items	-	-	-	-	-	-
Due from other funds	-	11,362	-	62,302	1,040	-
<b>Total assets</b>	<b>25,000</b>	<b>17,712</b>	<b>9,771</b>	<b>62,302</b>	<b>1,040</b>	<b>-</b>
<b>Liabilities</b>						
Accounts payable	7,100	17,712	-	362	-	-
Other liabilities	-	-	-	-	-	-
Due to other funds	17,900	-	9,772	-	-	-
<b>Total liabilities</b>	<b>25,000</b>	<b>17,712</b>	<b>9,772</b>	<b>362</b>	<b>-</b>	<b>-</b>
<b>Fund balance</b>						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	61,940	1,040	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-1	-	-	-
<b>Total fund balance</b>	<b>-</b>	<b>-</b>	<b>-1</b>	<b>61,940</b>	<b>1,040</b>	<b>-</b>
<b>Total liabilities and fund balance</b>	<b>\$ 25,000</b>	<b>\$ 17,712</b>	<b>\$ 9,771</b>	<b>\$ 62,302</b>	<b>\$ 1,040</b>	<b>\$ -</b>
<b>Revenues</b>						
Property tax revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	187,742	-	19,771	49,034	-	24,808
Interest and dividends	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Miscellaneous	-	50,000	-	-	-	-
<b>Total revenues</b>	<b>187,742</b>	<b>50,000</b>	<b>19,772</b>	<b>49,034</b>	<b>-</b>	<b>24,808</b>
<b>Expenditures</b>						
Salary and wages	-	-	-	-	-	-
Program operating costs	190,434	50,000	19,772	43,261	-	11,963
Capital expenditures	-	-	-	-	-	-
<b>Total expenditures</b>	<b>190,434</b>	<b>50,000</b>	<b>19,772</b>	<b>43,261</b>	<b>-</b>	<b>11,963</b>
Excess (deficiency) of revenues over (under) expenditures	-2,692	-	-1	5,773	-	12,845
<b>Other financing sources (uses)</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>-2,692</b>	<b>-</b>	<b>-1</b>	<b>5,773</b>	<b>-</b>	<b>12,845</b>
<b>Fund balance - July 1</b>	<b>2,692</b>	<b>-</b>	<b>-</b>	<b>56,167</b>	<b>1,040</b>	<b>-12,845</b>
<b>Fund balance - June 30</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -1</b>	<b>\$ 61,940</b>	<b>\$ 1,040</b>	<b>\$ -</b>

**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, 2012

	Energy efficiency grant	Emergency management grant	Fema storm grants	Equipment training grant	State aid drug abuse grant	Vo-ag equipment grant
<b>Assets</b>						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-
Accounts and other receivables	20,073	-	-	-	-	-
Inventories and prepaid items	-	-	-	-	-	-
Due from other funds	-	1,545	48,869	255	628	-
<b>Total assets</b>	<b>20,073</b>	<b>1,545</b>	<b>48,869</b>	<b>255</b>	<b>628</b>	<b>-</b>
<b>Liabilities</b>						
Accounts payable	-	72	-	-	-	-
Other liabilities	-	-	-	-	-	-
Due to other funds	20,073	-	-	-	-	27,749
<b>Total liabilities</b>	<b>20,073</b>	<b>72</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,749</b>
<b>Fund balance</b>						
Nonspendable	-	-	-	-	-	-
Restricted	-	1,473	-	255	628	-
Committed	-	-	-	-	-	-
Assigned	-	-	48,869	-	-	-
Unassigned	-	-	-	-	-	-27,749
<b>Total fund balance</b>	<b>-</b>	<b>1,473</b>	<b>48,869</b>	<b>255</b>	<b>628</b>	<b>-27,749</b>
<b>Total liabilities and fund balance</b>	<b>\$ 20,073</b>	<b>\$ 1,545</b>	<b>\$ 48,869</b>	<b>\$ 255</b>	<b>\$ 628</b>	<b>\$ -</b>
<b>Revenues</b>						
Property tax revenues	\$ -	\$ 3,150	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	29,701	2,669	71,320	-	-	-
Interest and dividends	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	4,240	-	-	-
<b>Total revenues</b>	<b>29,701</b>	<b>5,819</b>	<b>75,560</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenditures</b>						
Salary and wages	-	3,229	-	-	-	-
Program operating costs	20,073	1,765	26,691	-	-	-
Capital expenditures	-	-	-	-	-	-
<b>Total expenditures</b>	<b>20,073</b>	<b>4,994</b>	<b>26,691</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of revenues over (under) expenditures	9,628	825	48,869	-	-	-
<b>Other financing sources (uses)</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>9,628</b>	<b>825</b>	<b>48,869</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balance - July 1</b>	<b>-9,628</b>	<b>648</b>	<b>-</b>	<b>255</b>	<b>628</b>	<b>-27,749</b>
<b>Fund balance - June 30</b>	<b>\$ -</b>	<b>\$ 1,473</b>	<b>\$ 48,869</b>	<b>\$ 255</b>	<b>\$ 628</b>	<b>\$ -27,749</b>

**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, 2012

	Warm donations fund	Senior donations fund	Misc donations fund	Summer dance fest fund	Cemetery lots fund	Historic buildings fund
<b>Assets</b>						
Cash	\$ -	\$ -	\$ -	\$ -	\$ 38,073	\$ 10,123
Investments	-	-	-	-	-	-
Accounts and other receivables	-	-	-	-	-	-
Inventories and prepaid items	-	-	-	-	-	-
Due from other funds	24,566	8,214	5,043	12,916	-	-
<b>Total assets</b>	<b>24,566</b>	<b>8,214</b>	<b>5,043</b>	<b>12,916</b>	<b>38,073</b>	<b>10,123</b>
<b>Liabilities</b>						
Accounts payable	225	64	300	-	-	-
Other liabilities	-	-	-	-	-	-
Due to other funds	-	-	-	-	37,241	-
<b>Total liabilities</b>	<b>225</b>	<b>64</b>	<b>300</b>	<b>-</b>	<b>37,241</b>	<b>-</b>
<b>Fund balance</b>						
Nonspendable	-	-	-	-	-	-
Restricted	24,341	8,150	4,743	-	-	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	12,916	832	10,123
Unassigned	-	-	-	-	-	-
<b>Total fund balance</b>	<b>24,341</b>	<b>8,150</b>	<b>4,743</b>	<b>12,916</b>	<b>832</b>	<b>10,123</b>
<b>Total liabilities and fund balance</b>	<b>\$ 24,566</b>	<b>\$ 8,214</b>	<b>\$ 5,043</b>	<b>\$ 12,916</b>	<b>\$ 38,073</b>	<b>\$ 10,123</b>
<b>Revenues</b>						
Property tax revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-	-	-
Interest and dividends	-	-	-	-	96	25
Charges for services	-	-	4,100	-	2,400	-
Miscellaneous	12,069	5,859	700	11,298	-	-
<b>Total revenues</b>	<b>12,069</b>	<b>5,859</b>	<b>4,800</b>	<b>11,298</b>	<b>2,496</b>	<b>25</b>
<b>Expenditures</b>						
Salary and wages	-	-	-	-	-	-
Program operating costs	2,990	7,419	2,076	11,048	6,000	-
Capital expenditures	-	-	-	-	225,000	-
<b>Total expenditures</b>	<b>2,990</b>	<b>7,419</b>	<b>2,076</b>	<b>11,048</b>	<b>231,000</b>	<b>-</b>
Excess (deficiency) of revenues over (under) expenditures	9,079	-1,560	2,724	250	-228,504	25
<b>Other financing sources (uses)</b>						
Transfers in	-	-	-	-	145,000	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>145,000</b>	<b>-</b>
Net change in fund balance	9,079	-1,560	2,724	250	-83,504	25
<b>Fund balance - July 1</b>	<b>15,262</b>	<b>9,710</b>	<b>2,019</b>	<b>12,666</b>	<b>84,336</b>	<b>10,098</b>
<b>Fund balance - June 30</b>	<b>\$ 24,341</b>	<b>\$ 8,150</b>	<b>\$ 4,743</b>	<b>\$ 12,916</b>	<b>\$ 832</b>	<b>\$ 10,123</b>

**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, 2012

	LES activity accounts	LMS activity accounts	LHS activity accounts	Special ed excess costs grant	School educational grants	Totals
<b>Assets</b>						
Cash	\$ 15,884	\$ 30,908	\$ 29,505	\$ -	\$ 120,479	\$ 380,353
Investments	-	-	-	-	-	-
Accounts and other receivables	-	-	-	-	7,915	730,152
Inventories and prepaid items	-	-	-	-	-	11,729
Due from other funds	-	-	-	-	-	796,387
<b>Total assets</b>	<b>15,884</b>	<b>30,908</b>	<b>29,505</b>	<b>-</b>	<b>128,394</b>	<b>1,918,621</b>
<b>Liabilities</b>						
Accounts payable	-	-	-	-	3,115	41,706
Other liabilities	-	-	-	-	4,909	24,800
Due to other funds	-	-	-	-	102,165	218,488
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>110,189</b>	<b>284,994</b>
<b>Fund balance</b>						
Nonspendable	-	-	-	-	-	6,311
Restricted	15,884	30,908	29,505	-	19,188	1,222,650
Committed	-	-	-	-	-	358,022
Assigned	-	-	-	-	-	75,377
Unassigned	-	-	-	-	-983	-28,733
<b>Total fund balance</b>	<b>15,884</b>	<b>30,908</b>	<b>29,505</b>	<b>-</b>	<b>18,205</b>	<b>1,633,627</b>
<b>Total liabilities and fund balance</b>	<b>\$ 15,884</b>	<b>\$ 30,908</b>	<b>\$ 29,505</b>	<b>\$ -</b>	<b>\$ 128,394</b>	<b>\$ 1,918,621</b>
<b>Revenues</b>						
Property tax revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 364,181
Intergovernmental revenues	-	-	-	332,167	625,690	1,494,807
Interest and dividends	-	-	-	-	-	290
Charges for services	-	-	-	-	-	327,379
Miscellaneous	6,610	20,232	47,648	-	13,198	407,384
<b>Total revenues</b>	<b>6,610</b>	<b>20,232</b>	<b>47,648</b>	<b>332,167</b>	<b>638,888</b>	<b>2,594,041</b>
<b>Expenditures</b>						
Salary and wages	-	-	-	-	515,845	986,243
Program operating costs	11,718	18,026	34,990	332,167	161,793	1,482,709
Capital expenditures	-	-	-	-	-	225,000
<b>Total expenditures</b>	<b>11,718</b>	<b>18,026</b>	<b>34,990</b>	<b>332,167</b>	<b>677,638</b>	<b>2,693,952</b>
Excess (deficiency) of revenues over (under) expenditures	-5,108	2,206	12,658	-	-38,750	-99,911
<b>Other financing sources (uses)</b>						
Transfers in	-	-	-	-	-	212,221
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>212,221</b>
Net change in fund balance	-5,108	2,206	12,658	-	-38,750	112,310
<b>Fund balance - July 1</b>	<b>20,992</b>	<b>28,702</b>	<b>16,847</b>	<b>-</b>	<b>56,955</b>	<b>1,521,317</b>
<b>Fund balance - June 30</b>	<b>\$ 15,884</b>	<b>\$ 30,908</b>	<b>\$ 29,505</b>	<b>\$ -</b>	<b>\$ 18,205</b>	<b>\$ 1,633,627</b>

**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, 2012

	Lake Williams project	Town bridge grants	Alden tavern grant	DOT fix it first bridge grant	Tyler field project grant	Totals
<b>Assets</b>						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-
Accounts and other receivables	5,962	-	-	-	-	5,962
Inventories and prepaid items	-	-	-	-	-	-
Due from other funds	54,084	-	-	-	-	54,925
<b>Total assets</b>	<b>60,046</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>60,887</b>
<b>Liabilities</b>						
Accounts payable	-	-	-	-	-	-
Other liabilities	5,962	-	-	-	-	5,962
Due to other funds	-	33,820	-	92	24,528	58,440
<b>Total liabilities</b>	<b>5,962</b>	<b>33,820</b>	<b>-</b>	<b>92</b>	<b>24,528</b>	<b>64,402</b>
<b>Fund balance</b>						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	54,084	-	-	-	-	54,084
Assigned	-	-	-	-	-	-
Unassigned	-	-32,979	-	-92	-24,528	-57,599
<b>Total fund balance</b>	<b>54,084</b>	<b>-32,979</b>	<b>-</b>	<b>-92</b>	<b>-24,528</b>	<b>-3,515</b>
<b>Total liabilities and fund balance</b>	<b>\$ 60,046</b>	<b>\$ 841</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 60,887</b>
<b>Revenues</b>						
Property tax revenues	\$ 9,477	\$ -	\$ -	\$ -	\$ -	\$ 9,477
Intergovernmental revenues	-	1,543	-	17,697	162,427	181,667
Interest and dividends	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
<b>Total revenues</b>	<b>9,477</b>	<b>1,543</b>	<b>-</b>	<b>17,697</b>	<b>162,427</b>	<b>191,144</b>
<b>Expenditures</b>						
Salary and wages	-	-	-	-	-	-
Program operating costs	-	-	-	-	186,955	186,955
Capital expenditures	-	-	4,579	15,249	-	19,828
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>4,579</b>	<b>15,249</b>	<b>186,955</b>	<b>206,783</b>
Excess (deficiency) of revenues over (under) expenditures	9,477	1,543	-4,579	2,448	-24,528	-15,639
<b>Other financing sources (uses)</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>9,477</b>	<b>1,543</b>	<b>-4,579</b>	<b>2,448</b>	<b>-24,528</b>	<b>-15,639</b>
<b>Fund balance - July 1</b>	<b>44,607</b>	<b>-34,522</b>	<b>4,579</b>	<b>-2,540</b>	<b>-</b>	<b>12,124</b>
<b>Fund balance - June 30</b>	<b>\$ 54,084</b>	<b>\$ -32,979</b>	<b>\$ -</b>	<b>\$ -92</b>	<b>\$ -24,528</b>	<b>\$ -3,515</b>

**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, 2012

	Cummings scholarship	George Lyman fund	Cemetery perpetual care	Helen Rodgers scholarship	Waterman Wilson library fund	Flora Williams library fund
<b>Assets</b>						
Cash	\$ 6	\$ 2	\$ -	\$ 1	\$ -	\$ -
Investments	197,132	47,726	11,740	10,004	9,189	7,823
Accounts and other receivables	-	-	-	-	-	-
Inventories and prepaid items	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
<b>Total assets</b>	<b>197,138</b>	<b>47,728</b>	<b>11,740</b>	<b>10,005</b>	<b>9,189</b>	<b>7,823</b>
<b>Liabilities</b>						
Accounts payable	-	-	-	-	-	-
Other liabilities	93	-	-	5	-	-
Due to other funds	-	5,023	1,199	-	829	823
<b>Total liabilities</b>	<b>93</b>	<b>5,023</b>	<b>1,199</b>	<b>5</b>	<b>829</b>	<b>823</b>
<b>Fund balance</b>						
Nonspendable	197,045	42,705	10,541	10,000	8,360	7,000
Restricted	-	-	-	-	-	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
<b>Total fund balance</b>	<b>197,045</b>	<b>42,705</b>	<b>10,541</b>	<b>10,000</b>	<b>8,360</b>	<b>7,000</b>
<b>Total liabilities and fund balance</b>	<b>\$ 197,138</b>	<b>\$ 47,728</b>	<b>\$ 11,740</b>	<b>\$ 10,005</b>	<b>\$ 9,189</b>	<b>\$ 7,823</b>
<b>Revenues</b>						
Property tax revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-	-	-
Interest and dividends	201	49	12	10	117	8
Net change in investment fair value	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
<b>Total revenues</b>	<b>201</b>	<b>49</b>	<b>12</b>	<b>10</b>	<b>117</b>	<b>8</b>
<b>Expenditures</b>						
Salary and wages	-	-	-	-	-	-
Program operating costs	201	-	-	10	-	-
Capital expenditures	-	-	-	-	-	-
<b>Total expenditures</b>	<b>201</b>	<b>-</b>	<b>-</b>	<b>10</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of revenues over (under) expenditures	-	49	12	-	117	8
<b>Other financing sources (uses)</b>						
Transfers in	1,291	-	-	75	-	-
Transfers out	-	-49	-12	-	-117	-8
<b>Total other financing sources (uses)</b>	<b>1,291</b>	<b>-49</b>	<b>-12</b>	<b>75</b>	<b>-117</b>	<b>-8</b>
Net change in fund balance	1,291	-	-	75	-	-
<b>Fund balance - July 1</b>	<b>195,754</b>	<b>42,705</b>	<b>10,541</b>	<b>9,925</b>	<b>8,360</b>	<b>7,000</b>
<b>Fund balance - June 30</b>	<b>\$ 197,045</b>	<b>\$ 42,075</b>	<b>\$ 10,541</b>	<b>\$ 10,000</b>	<b>\$ 8,360</b>	<b>\$ 7,000</b>

**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, 2012

	Town deposit fund	Lebanon school prizes	Royal O. Woodard scholarship	Dorothy Hinckley scholarship	Elizabeth Grant scholarship	EL Reichard nursing scholarship
<b>Assets</b>						
Cash	\$ 6,566	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	6,403	6,053	6,044	4,287	3,001
Accounts and other receivables	-	-	-	-	-	-
Inventories and prepaid items	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
<b>Total assets</b>	<b>6,566</b>	<b>6,403</b>	<b>6,053</b>	<b>6,044</b>	<b>4,287</b>	<b>3,001</b>
<b>Liabilities</b>						
Accounts payable	-	-	-	-	-	-
Other liabilities	-	3	3	-	2	1
Due to other funds	4	-	-	-	-	-
<b>Total liabilities</b>	<b>4</b>	<b>3</b>	<b>3</b>	<b>-</b>	<b>2</b>	<b>1</b>
<b>Fund balance</b>						
Nonspendable	6,562	6,400	6,050	5,000	4,285	3,000
Restricted	-	-	-	1,044	-	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
<b>Total fund balance</b>	<b>6,562</b>	<b>6,400</b>	<b>6,050</b>	<b>6,044</b>	<b>4,285</b>	<b>3,000</b>
<b>Total liabilities and fund balance</b>	<b>\$ 6,566</b>	<b>\$ 6,403</b>	<b>\$ 6,053</b>	<b>\$ 6,044</b>	<b>\$ 4,287</b>	<b>\$ 3,001</b>
<b>Revenues</b>						
Property tax revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-	-	-
Interest and dividends	3	7	6	20	4	3
Net change in investment fair value	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
<b>Total revenues</b>	<b>3</b>	<b>7</b>	<b>6</b>	<b>20</b>	<b>4</b>	<b>3</b>
<b>Expenditures</b>						
Salary and wages	-	-	-	-	-	-
Program operating costs	-	7	6	-	4	3
Capital expenditures	-	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>7</b>	<b>6</b>	<b>-</b>	<b>4</b>	<b>3</b>
Excess (deficiency) of revenues over (under) expenditures	3	-	-	20	-	-
<b>Other financing sources (uses)</b>						
Transfers in	-	99	49	-	36	113
Transfers out	-3	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-3</b>	<b>99</b>	<b>49</b>	<b>-</b>	<b>36</b>	<b>113</b>
Net change in fund balance	-	99	49	20	36	113
<b>Fund balance - July 1</b>	<b>6,562</b>	<b>6,301</b>	<b>6,001</b>	<b>6,024</b>	<b>4,249</b>	<b>2,887</b>
<b>Fund balance - June 30</b>	<b>\$ 6,562</b>	<b>\$ 6,400</b>	<b>\$ 6,050</b>	<b>\$ 6,044</b>	<b>\$ 4,285</b>	<b>\$ 3,000</b>

**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, 2012

	Flora Williams scholarship	Local school fund	Vernon Boothby library	William Taylor cemetery	Oliver & Lucille Manning	Totals
<b>Assets</b>						
Cash	\$ -	\$ 1,937	\$ 1,000	\$ -	\$ -	\$ 9,512
Investments	2,001	-	-	1,118	10,094	322,615
Accounts and other receivables	-	-	-	-	-	-
Inventories and prepaid items	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
<b>Total assets</b>	<b>2,001</b>	<b>1,937</b>	<b>1,000</b>	<b>1,118</b>	<b>10,094</b>	<b>332,127</b>
<b>Liabilities</b>						
Accounts payable	-	-	-	-	-	-
Other liabilities	1	-	-	-	-	108
Due to other funds	-	-	-	118	-	7,996
<b>Total liabilities</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>118</b>	<b>-</b>	<b>8,104</b>
<b>Fund balance</b>						
Nonspendable	2,000	1,937	1,000	1,000	9,385	322,270
Restricted	-	-	-	-	709	1,753
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
<b>Total fund balance</b>	<b>2,000</b>	<b>1,937</b>	<b>1,000</b>	<b>1,000</b>	<b>10,094</b>	<b>324,023</b>
<b>Total liabilities and fund balance</b>	<b>\$ 2,001</b>	<b>\$ 1,937</b>	<b>\$ 1,000</b>	<b>\$ 1,118</b>	<b>\$ 10,094</b>	<b>\$ 332,127</b>
<b>Revenues</b>						
Property tax revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-	-	-
Interest and dividends	2	2	1	1	325	771
Net change in investment fair value	-	-	-	-	140	140
Miscellaneous	-	-	-	-	-	-
<b>Total revenues</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>465</b>	<b>911</b>
<b>Expenditures</b>						
Salary and wages	-	-	-	-	-	-
Program operating costs	2	-	-	-	-	233
Capital expenditures	-	-	-	-	-	-
<b>Total expenditures</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>233</b>
Excess (deficiency) of revenues over (under) expenditures	-	2	1	1	465	678
<b>Other financing sources (uses)</b>						
Transfers in	20	-	-	-	-	1,683
Transfers out	-	-2	-1	-1	-	-193
<b>Total other financing sources (uses)</b>	<b>20</b>	<b>-2</b>	<b>-1</b>	<b>-1</b>	<b>-</b>	<b>1,490</b>
Net change in fund balance	20	-	-	-	465	2,168
<b>Fund balance - July 1</b>	<b>1,980</b>	<b>1,937</b>	<b>1,000</b>	<b>1,000</b>	<b>9,629</b>	<b>321,855</b>
<b>Fund balance - June 30</b>	<b>\$ 2,000</b>	<b>\$ 1,937</b>	<b>\$ 1,000</b>	<b>\$ 1,000</b>	<b>\$ 10,094</b>	<b>\$ 324,023</b>

**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, 2012**

	Jared Hinckley scholarship	Kalmon Kurcinik scholarship	Mary Chase fund	Robert L. Hanover scholarship	Richard Woyasz scholarship
<b>Assets</b>					
Cash	\$ -	\$ -	\$ 7,972	\$ -	\$ -
Investments	50,002	8,884	-	1,814	1,184
Accounts and other receivables	-	-	-	-	-
Inventories and prepaid items	-	-	-	-	-
Due from other funds	-	-	-	-	-
<b>Total assets</b>	<b>50,002</b>	<b>8,884</b>	<b>7,972</b>	<b>1,814</b>	<b>1,184</b>
<b>Liabilities</b>					
Accounts payable	-	-	-	-	-
Other liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Assets</b>					
Restricted					
Expendable	50,002	8,884	7,972	1,814	1,184
Non-expendable	-	-	-	-	-
Unrestricted	-	-	-	-	-
<b>Total net assets</b>	<b>50,002</b>	<b>8,884</b>	<b>7,972</b>	<b>1,814</b>	<b>1,184</b>
<b>Total liabilities and net assets</b>	<b>\$ 50,002</b>	<b>\$ 8,884</b>	<b>\$ 7,972</b>	<b>\$ 1,814</b>	<b>\$ 1,184</b>
<b>Additions:</b>					
Property tax revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-	-
Interest and dividends	317	31	15	7	16
Net change in investment fair value	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total additions</b>	<b>317</b>	<b>31</b>	<b>15</b>	<b>7</b>	<b>16</b>
<b>Deductions:</b>					
Salary and wages	-	-	-	-	-
Program operating costs	325	350	-	350	201
Capital expenditures	-	-	-	-	-
<b>Total deductions</b>	<b>325</b>	<b>350</b>	<b>-</b>	<b>350</b>	<b>201</b>
<b>Change in net assets</b>	<b>-8</b>	<b>-319</b>	<b>15</b>	<b>-343</b>	<b>-185</b>
<b>Net assets - July 1</b>	<b>50,010</b>	<b>9,203</b>	<b>7,957</b>	<b>2,157</b>	<b>1,369</b>
<b>Net assets - June 30</b>	<b>\$ 50,002</b>	<b>\$ 8,884</b>	<b>\$ 7,972</b>	<b>\$ 1,814</b>	<b>\$ 1,184</b>

**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, 2012**

	Flegert Ausberger library	Nichols Trahan scholarship	Town school prizes	Totals
<b>Assets</b>				
Cash	\$ 2,456	\$ -	\$ 1,776	\$ 12,204
Investments	-	8,789	-	70,673
Accounts and other receivables	-	-	-	-
Inventories and prepaid items	-	-	-	-
Due from other funds	-	-	-	-
<b>Total assets</b>	<b>2,456</b>	<b>8,789</b>	<b>1,776</b>	<b>82,877</b>
<b>Liabilities</b>				
Accounts payable	-	-	-	-
Other liabilities	-	-	-	-
Due to other funds	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Assets</b>				
Restricted				
Expendable	2,456	8,789	1,776	82,877
Non-expendable	-	-	-	-
Unrestricted	-	-	-	-
<b>Total net assets</b>	<b>2,456</b>	<b>8,789</b>	<b>1,776</b>	<b>82,877</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,456</b>	<b>\$ 8,789</b>	<b>\$ 1,776</b>	<b>\$ 82,877</b>
<b>Additions:</b>				
Property tax revenues	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-
Interest and dividends	2	22	3	413
Net change in investment fair value	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total additions</b>	<b>2</b>	<b>22</b>	<b>3</b>	<b>413</b>
<b>Deductions:</b>				
Salary and wages	-	-	-	-
Program operating costs	2	500	-	1,728
Capital expenditures	-	-	-	-
<b>Total deductions</b>	<b>2</b>	<b>500</b>	<b>-</b>	<b>1,728</b>
<b>Change in net assets</b>	<b>-</b>	<b>-478</b>	<b>3</b>	<b>-1,315</b>
<b>Net assets - July 1</b>	<b>2,456</b>	<b>9,267</b>	<b>1,773</b>	<b>84,192</b>
<b>Net assets - June 30</b>	<b>\$ 2,456</b>	<b>\$ 8,789</b>	<b>\$ 1,776</b>	<b>\$ 82,877</b>

**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, 2012

	LES building project	LMS building project	Fire safety complex	Senior center complex	Amston lake sewer project	Totals
<b>Assets</b>						
Cash	\$ -	\$ -	\$ -	\$ -	\$ 2,589,214	\$ 2,589,214
Investments	-	-	-	-	-	-
Accounts and other receivables	-	-	-	-	-	-
Inventories and prepaid items	-	-	-	-	-	-
Due from other funds	-	192,020	11,641	-	18,530	222,191
<b>Total assets</b>	<b>-</b>	<b>192,020</b>	<b>11,641</b>	<b>-</b>	<b>2,607,744</b>	<b>2,811,405</b>
<b>Liabilities</b>						
Accounts payable	-	-	-	-	697,509	697,509
Due to other funds	585,232	-	-	1,894	-	587,126
<b>Total liabilities</b>	<b>585,232</b>	<b>-</b>	<b>-</b>	<b>1,894</b>	<b>697,509</b>	<b>1,284,635</b>
<b>Fund balance</b>						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	-	192,020	11,641	-	1,910,235	2,113,896
Assigned	-	-	-	-	-	-
Unassigned	-585,232	-	-	-1,894	-	-587,126
<b>Total fund balance</b>	<b>-585,232</b>	<b>192,020</b>	<b>11,641</b>	<b>-1,894</b>	<b>1,910,235</b>	<b>1,526,770</b>
<b>Total liabilities and fund balance</b>	<b>\$ -</b>	<b>\$ 192,020</b>	<b>\$ 11,641</b>	<b>\$ -</b>	<b>\$ 2,607,744</b>	<b>\$ 2,811,405</b>
<b>Revenues</b>						
Property tax revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	381,672	-	-	-	381,672
Interest and dividends	-	-	-	-	9,435	9,435
Charges for services	-	-	-	-	18,530	18,530
Miscellaneous	-	-	-	-	29,786	29,786
<b>Total revenues</b>	<b>-</b>	<b>381,672</b>	<b>-</b>	<b>-</b>	<b>57,751</b>	<b>439,423</b>
<b>Expenditures</b>						
Salary and wages	-	-	-	-	-	-
Program operating costs	2,346	2,349	-	-	-	4,698
Capital expenditures	-	-	-	-	2,862,161	2,862,161
<b>Total expenditures</b>	<b>2,349</b>	<b>2,349</b>	<b>-</b>	<b>-</b>	<b>2,862,161</b>	<b>2,866,859</b>
Excess (deficiency) of revenues over (under) expenditures	-2,349	379,323	-	-	-2,804,410	-2,427,436
<b>Other financing sources (uses)</b>						
Proceeds from debt issuance	-	-	-	-	5,100,000	5,100,000
Transfers in	-	-	-	-	350,000	350,000
Transfers out	-	-	-	-	-750,000	-750,000
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,700,000</b>	<b>4,700,000</b>
Net change in fund balance	-2,349	379,323	-	-	1,895,590	2,272,564
<b>Fund balance - July 1</b>	<b>-582,883</b>	<b>-187,303</b>	<b>11,641</b>	<b>-1,894</b>	<b>14,645</b>	<b>-745,794</b>
<b>Fund balance - June 30</b>	<b>\$ -585,232</b>	<b>\$ 192,020</b>	<b>\$ 11,641</b>	<b>\$ -1,894</b>	<b>\$ 1,910,235</b>	<b>\$ 1,526,770</b>

**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, 2012

	Jonathan Trumbull Jr. library fund	Adams community center fund	Jonathan Trumbull Jr. house fund	Totals
<b>Assets</b>				
Cash	\$ -	\$ -	\$ -	\$ -
Investments	970,693	595,339	382,553	1,948,585
Accounts and other receivables	-	-	-	-
Inventories and prepaid items	-	-	-	-
Due from other funds	-	-	-	-
<b>Total assets</b>	<u>970,693</u>	<u>595,339</u>	<u>382,553</u>	<u>1,948,585</u>
<b>Liabilities</b>				
Accounts payable	-	-	-	-
Other liabilities	-	-	-	-
Due to other funds	-	-	-	-
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance</b>				
Nonspendable	-	-	-	-
Restricted	970,693	595,339	382,553	1,948,585
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
<b>Total fund balance</b>	<u>970,693</u>	<u>595,339</u>	<u>382,553</u>	<u>1,948,585</u>
<b>Total liabilities and fund balance</b>	<u>\$ 970,693</u>	<u>\$ 595,339</u>	<u>\$ 382,553</u>	<u>\$ 1,948,585</u>
<b>Revenues</b>				
Property tax revenues	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-
Interest and dividends	35,006	19,465	12,370	66,841
Net change in investment fair value	50,028	40,467	8,328	98,823
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<u>85,034</u>	<u>59,932</u>	<u>20,698</u>	<u>165,664</u>
<b>Expenditures</b>				
Salary and wages	-	-	-	-
Program operating costs	65	65	65	195
Capital expenditures	-	-	-	-
<b>Total expenditures</b>	<u>65</u>	<u>65</u>	<u>65</u>	<u>195</u>
Excess (deficiency) of revenues over (under) expenditures	<u>84,969</u>	<u>59,867</u>	<u>20,633</u>	<u>165,469</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	-35,006	-19,720	-12,370	-67,096
<b>Total other financing sources (uses)</b>	<u>-35,006</u>	<u>-19,720</u>	<u>-12,370</u>	<u>-67,096</u>
Net change in fund balance	49,963	40,147	8,263	98,373
<b>Fund balance - July 1</b>	<u>920,730</u>	<u>555,192</u>	<u>374,290</u>	<u>1,850,212</u>
<b>Fund balance - June 30</b>	<u>\$ 970,693</u>	<u>\$ 595,339</u>	<u>\$ 382,553</u>	<u>\$ 1,948,585</u>

Town of Lebanon, Connecticut  
 Schedule of property taxes levied,  
 collections, and outstanding balances  
 For the year ended June 30, 2012

Grand list	Uncollected taxes 06/30/11	Current year taxes levied	Lawful corrections		Net taxes collectable
			Additions	Deductions	
2010	\$ -	\$ 15,076,367	\$ 13,939	\$ -31,662	\$ 15,058,644
2009	286,693	-	3,460	-20,058	270,095
2008	90,402	-	2,064	-6,746	85,720
2007	19,191	-	229	-	19,420
2006	13,022	-	-	-	13,022
2005	6,589	-	-	-	6,589
2004	1,728	-	-	-	1,728
2003	688	-	-	-	688
2002	249	-	-	-	249
2001	154	-	-	-	154
2000	148	-	-	-	148
1999	42	-	-	-	42
1998	71	-	-	-	71
1997	71	-	-	-	71
1996	75	-	-	-	75
	<u>\$ 419,123</u>	<u>\$ 15,076,367</u>	<u>\$ 19,692</u>	<u>\$ -58,466</u>	<u>\$ 15,456,716</u>

**Town of Lebanon, Connecticut**  
**Schedule of property taxes levied,**  
**collections, and outstanding balances**  
**For the year ended June 30, 2012**

Grand list	Collections during the fiscal year				Total	Adjustments	Uncollected taxes 06/30/12
	Taxes	Interest	Lien fees				
2010	\$ 14,718,842	\$ 62,325	\$ 8,851		\$ 14,790,018	\$ -	\$ 339,802
2009	170,184	41,634	1,686		213,504	-	99,911
2008	51,055	18,136	2,909		72,100	-22,039	12,626
2007	11,225	6,601	90		17,916	-	8,195
2006	7,942	5,252	318		13,512	-	5,080
2005	5,181	4,578	460		10,219	-	1,408
2004	935	14	24		973	-	793
2003	-	-	-		-	-	688
2002	-	-	-		-	-	249
2001	-	-	-		-	-	154
2000	-	-	-		-	-	148
1999	-	-	-		-	-	42
1998	-	-	-		-	-	71
1997	-	-	-		-	-	71
1996	-	-	-		-	-	75
	<u>\$ 14,965,364</u>	<u>\$ 138,540</u>	<u>\$ 14,338</u>		<u>\$ 15,118,242</u>	<u>\$ -22,039</u>	<u>\$ 469,313</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.

\$ 15,076,367	Current year taxes levied from page 58
138,540	Tax interest collections during the current fiscal year from above
10,339	Suspense interest collections during the current fiscal year
14,338	Tax lien fee collections during the current fiscal year from above
12,770	Suspense principle balance collections during the current fiscal year
-22,039	Account balances transferred to suspense during the current fiscal year from above
-38,774	The net lawful corrections made during the current fiscal year from page 58
-29,394	The deferred tax revenue adjustment made as described in item number 2 on page 15
<u>15,162,147</u>	Property taxes, interest, and liens per Statement E
9,477	Lake Williams assessment principal and interest collections
<u>\$ 15,171,624</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 \$12,770 was collected on principle suspense tax balances owed and \$10,339 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 \$64 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, 2012

Total tax collections (including interest and lien fees) for the current fiscal year.	\$ 15,171,624
Total tax collections (including interest and lien fees) of city, borough and all other taxing districts within the Town for the current fiscal year.	123,589
Reimbursement for revenue loss on: Tax relief for the elderly - (CGS 12-129d)	<u>28,988</u>
<b>Total base</b>	<b><u><u>\$ 15,324,201</u></u></b>

Debt limitation:	General purposes	Schools	Sewers	Urban renewal	Pension deficit
2 1/4 times base	\$ 34,479,452	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	68,958,605	-	-	-
3 3/4 times base	-	-	57,465,754	-	-
3 1/4 times base	-	-	-	49,803,653	-
3 times base	-	-	-	-	45,972,603
<b>Total debt limitation</b>	<b>34,479,452</b>	<b>68,958,605</b>	<b>57,465,754</b>	<b>49,803,653</b>	<b>45,972,603</b>

**Indebtedness:**

Bonds payable	1,013,018	2,614,400	-	-	-
Bond anticipation notes payable	-	-	5,100,000	-	-
Bonds authorized and unissued	630,000	8,296,724	1,450,000	-	-
Notes payable	-	-	-	-	-
Capital leases payable	-	33,117	-	-	-
Accrued compensated absences:					
School employees	-	66,321	-	-	-
Town employees	28,311	-	-	-	-
Accrued post closure landfill costs	89,131	-	-	-	-
<b>Total indebtedness</b>	<b>1,760,460</b>	<b>11,010,562</b>	<b>6,550,000</b>	<b>-</b>	<b>-</b>

Debt limitation in excess of outstanding and authorized debt	<u><u>\$ 32,718,992</u></u>	<u><u>\$ 57,948,043</u></u>	<u><u>\$ 50,915,754</u></u>	<u><u>\$ 49,803,653</u></u>	<u><u>\$ 45,972,603</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 \$107,269,407 which is well above the \$19,321,022 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, 2012 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, 2012 equal \$630,000 for the fire safety complex. The authorized and unissued bond amounts relating to sewers as of June 30, 2012 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, 2012

Federal grantor Pass-through grantor Program title	Federal CFDA number	Pass-through grantor number	Federal expenditures
<b>U.S. Department of Agriculture</b>			
Passed through the State of Connecticut -			
Department of Education			
Child nutrition cluster:			
School breakfast program	10.553	12060-SDE64370-20508-2011 12060-SDE64370-20508-2012	\$ 4,092 11,505
School lunch program	10.555	12060-SDE64370-20560-2011 12060-SDE64370-20560-2012	21,332 56,364
School milk program	10.556	12060-SDE64370-20500-2011 12060-SDE64370-20500-2012	280 1,116
			<u>94,689</u>
Supplemental nutrition assistance program	10.580	12060-SDE64351-26130-2011	<u>950</u>
 <b>U.S. Department of Housing and Urban Development</b>			
Passed through the State of Connecticut -			
Department of Economic and Community Development			
Small cities program -			
Housing rehabilitation loan program	14.228	12060-ECD46350-20730-2012	<u>190,434</u>
 <b>U.S. Department of Transportation</b>			
Highway Planning and Construction Cluster:			
Passed through the State of Connecticut -			
Department of Transportation			
Highway planning and construction	20.205	12062-DOT57191-22108-2012	<u>1,542</u>
Capital assistance program for elderly persons and persons with disabilities	20.513	12062-DOT57931-21361-2012	<u>40,000</u>
 <b>U.S. Department of Energy</b>			
Passed through the State of Connecticut -			
Department of Environmental Protection			
ARRA Energy efficiency and conservation block grant	81.128	12060-DEP44720-29009-2012	<u>20,073</u>
 <b>U.S. Department of Education</b>			
Passed through the State of Connecticut -			
Department of Education			
Title I Part A Cluster:			
Title I - Improving basic programs	84.010	12060-SDE64370-20679-2012	<u>54,860</u>

**Town of Lebanon, Connecticut**  
Schedule of expenditures of federal awards (continued)  
For the year ended June 30, 2012

Federal grantor Pass-through grantor Program title	Federal CFDA number	Pass-through grantor number	Federal expenditures
<b>U.S. Department of Education</b>			
Passed through the State of Connecticut -			
Department of Education			
Special Education Cluster			
Idea Part B - Section 611 Disabilities	84.027	12060-SDE64370-20977-2011	\$ 72,351
		12060-SDE64370-20977-2012	112,033
		12060-SDE64370-20977-2012	10,000
Idea Part B - Section 619 Preschool	84.173	12060-SDE64370-20983-2012	10,150
			<u>204,534</u>
Title II Part A - Improving teacher quality	84.367	12060-SDE64370-20858-2011	25,565
		12060-SDE64370-20858-2012	769
			<u>26,334</u>
Education jobs fund	84.410	12060-SDE64370-22405-2012	<u>252,544</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>10,213</u>
<b>U.S. Department of Homeland Security</b>			
Passed through the State of Connecticut -			
Department of Emergency			
Services & Public Protection			
Disaster grants - public assistance	97.036	12060-DPS32985-21891-2011	20,998
		12060-DPS32985-21891-2012	50,323
			<u>71,321</u>
<b>U.S. Department of Homeland Security</b>			
Passed through the State of Connecticut -			
Department of Emergency Management and Homeland Security			
Emergency management performance grant	97.042	12060-DPS32982-21881-2010	<u>2,669</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 970,163</u></u>

Town of Lebanon, Connecticut  
Notes to Schedule of expenditures of federal awards  
June 30, 2012

**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 may 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, 2012, which collectively comprise the Town of Lebanon, Connecticut's financial statements and have issued our report thereon dated January 21, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal control over financial reporting

Management of the Town of Lebanon, Connecticut is responsible for establishing and maintaining effective 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 do not consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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 do consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. These significant deficiencies are noted in the aforementioned schedule as item numbers 12-01 through 12-05.

#### 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 no reportable instances of noncompliance or other matters required to be reported under *Government Auditing Standards*.

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



January 21, 2013

# 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, 2012. 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, 2012.

#### 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 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. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

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

A handwritten signature in cursive script that reads "Stephen T. Hopkins, CPA, PC".

January 21, 2013

**Town of Lebanon, Connecticut**  
**Schedule of findings and questioned costs**  
**June 30, 2012**

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, 2012 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 unqualified opinions on the financial statements of the auditee.
- (ii) There were five 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 12-01 through 12-05. None of these significant deficiencies were considered to be a material weakness.
- (iii) No instances of noncompliance material to the financial statements of the auditee were disclosed during the audit.
- (iv) There were no significant deficiencies in internal control over compliance for major programs disclosed by the audit of the financial statements of the auditee.
- (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 did not have any Type A program so therefore a risk assessment on the remaining Type B programs was performed to determine which Type B programs would need to be tested. As a result, four Type B programs were chosen for testing. The following programs were tested in order to meet the required percentage of coverage.

Housing rehabilitation loan program	CFDA # 14.228	\$ 190,434
Capital assistance program for elderly persons and persons with disabilities	CFDA # 20.513	40,000
Education jobs fund	CFDA # 84.410	252,544
ARRA Energy efficiency and conservation block grant	CFDA # 81.128	20,073
		<u>\$ 503,051</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 \$970,163. The programs and expenditures noted above in item (vii) represent approximately 52% of the total federal awards expended.

Findings Related to Financial Statements

There were five findings relating to the basic financial statements which are required to be reported in accordance with GAGAS and §\_\_\_\_.505(d)(2). These five findings are related to internal control over financial reporting and are referenced in the accompanying schedule of findings and questioned costs as item numbers 12-01 through 12-05.

Findings, Questioned Costs, and Responses for Federal Awards

There were no 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).

Summary Schedule of Prior Audit Findings

There were three findings and questioned costs related to federal award programs reported in the audit report for the auditee for the year ended June 30, 2011. The status of these three findings are referenced in the accompanying summary schedule of prior audit findings as item numbers 11-05 through 11-07.

Town of Lebanon, Connecticut  
Schedule of findings and questioned costs (continued)  
June 30, 2012

**12-01 - 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 a lack of available time and available resources within the finance department of the Town.

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 sections of the manual which appear to be incomplete and to make sure that all of the policies and procedures within the manual are 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:

We have discussed this finding with our auditor and we have been working on the completion of this type of a manual over the past year and hope to have the manual completed and approved by the end of the upcoming fiscal year. Due to the small nature of our town, it is sometimes difficult to allocate the necessary amount of time and resources to a project such as this. However, we feel we have made progress and will continue working towards the completion of this accounting policies and procedures manual.

Town of Lebanon, Connecticut  
Schedule of findings and questioned costs (continued)  
June 30, 2012

**12-02 - 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 only a listing of auctioned vehicles was 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 a lack of available time and available resources within the finance department of the Town.

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 a 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:

We have discussed this audit finding with our auditor and we do understand the importance of keeping a detailed listing of our capital assets and other inventory items as described above. We also agree that the main reason that this type of detailed listing has not been completed is due to a lack of available time and available resources within the finance department. We have taken steps towards freeing up available time by hiring a part time accounting individual to assist the department in account reconciliations which should free up more time for either the finance director or the part time accounting individual to address this capital asset record keeping deficiency. We hope that this internal control deficiency will be adequately addressed during the upcoming fiscal year and hope that this finding will no longer be applicable going forward.

Town of Lebanon, Connecticut  
Schedule of findings and questioned costs (continued)  
June 30, 2012

**12-03 - 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 of internal controls in place to ensure that all of the asset and liability accounts on the trial balance of the Town were reconciled. In addition, it did not appear that there was an adequate system of internal controls in place to review revenue and expenditure accounts to determine if any transactions had been mis-posted and therefore needed to be corrected. Without an adequate system of internal controls in place to ensure that all asset and liability accounts are being reconciled and documenting that all revenue and expenditure accounts are being reviewed, there is no way to ensure that items that need to be corrected will be prevented or even detected and corrected on a timely basis. We do consider this condition to represent a significant deficiency in internal control over financial reporting.

Context:

It does appear as though monthly bank reconciliations were prepared for the majority of the cash accounts of the Town during the current fiscal year. However, it would appear as though the majority of the remaining balance sheet accounts went unreconciled during the current fiscal year. If reconciliations were prepared on these remaining balance sheet accounts, I was unable to find any documentation of the reconciliation and the results of the reconciliation. As a result of the audit, 64 adjusting journal entries were proposed for the general fund of the Town and another 66 were proposed for the other funds on the trial balance of the Town. Not all of these adjustments were necessarily correcting items that would have been found if reconciliations had been completed but a large number of them should have been found if reconciliations had been completed. In addition, I was unable to find any documentation showing that revenue and expenditure account had been reviewed for mis-postings during the current fiscal year and a number of the aforementioned adjustments were necessary to correct recorded revenue and expenditure account balances on the trial balance of the Town.

Effect:

Without account reconciliations being prepared for all asset and liability accounts as well as periodic documented reviews of the transactions recorded in the revenue and expenditure accounts, 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:

The reason for this condition would appear to be a lack of available time and available resources within the finance department of the Town. This would appear to make it difficult to apportion the time needed to effectively reconcile all of the asset and liability accounts as shown on the trial balance and to perform and document the reviews of the revenue and expenditure accounts.

Recommendation:

We recommend that the Town develop an adequate system of internal controls to ensure that all asset and liability accounts are being reconciled and that an adequate system of internal controls are in place to document the revenue and expenditure account reviews and that these reviews are completed and documented at least on a quarterly basis if not a monthly basis.

Views of responsible officials and planned corrective actions:

We have discussed this finding with our auditor and we do agree with his recommendations as described above. We also agree that the main reason that this type of detailed listing has not been completed is due to a lack of available time and available resources within the finance department. We have taken steps towards freeing up available time by hiring a part time accounting individual to assist the department in account reconciliations. We hope that this internal control deficiency will be adequately addressed during the upcoming fiscal year and hope that this finding will no longer be applicable going forward.

Town of Lebanon, Connecticut  
Schedule of findings and questioned costs (continued)  
June 30, 2012

**12-04 - Bank 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:

The Town has two main checking accounts and one main deposit account from which the majority of its day to day activities are accounted. Account reconciliations were prepared on these three accounts during the current fiscal year and for the most part these reconciliations were prepared in a timely manner, initialed and dated by the individual preparing the reconciliation and by the individual reviewing the reconciliation. The reconciliations did, however, contain a large number of reconciling items which had been accumulated during the fiscal year which were never actually corrected. As a result, the actual cash balances as shown on the trial balance of the Town were incorrect for the majority of the fiscal year. We do consider this condition to represent a significant deficiency in internal control over financial reporting.

Context:

One of the main reasons for preparing bank account reconciliations is to make sure that the accounting transactions which show up on the trial balance of the Town are the same as those that show up on the corresponding bank account statements. Items which do not match up between the trial balance and the bank statement are referred to as reconciling items. Normally reconciling items will show up on a given months bank reconciliation in order to balance the reconciliation. Once the reconciliation is complete and more time is available, these items should be researched more thoroughly and the appropriate adjusting journal entries should be prepared, approved and entered into the trial balance to correct the variance. The June bank reconciliation for the general checking account contained 21 reconciling items from the previous July through the month of June and resulted in an ending unexplained variance. In addition, this bank reconciliation had not been signed off on as being prepared and reviewed when it was obtained as part of the audit. The June Board of Education checking account reconciliation contained a \$5,250 reconciling item which had apparently been carried from the previous July through the entire fiscal year without being corrected. The June reconciliation for the Town's main deposit account contained 21 reconciling items from the previous July through the month of June including a \$74,121 item relating to the prior fiscal years audit.

Effect:

Without reconciling items being fully researched and corrected in a timely manner, the bank account balances as shown on the trial balance of the Town are incorrect and therefore 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:

The reason for this condition would appear to be a lack of available time and available resources within the finance department of the Town.

Recommendation:

We recommend that all bank account reconciliations be prepared and reviewed in a timely manner and that all reconciling items be fully researched and corrected in a timely manner to ensure that the cash balances as shown on the trial balance are as accurate and up to date as possible throughout the fiscal year.

Views of responsible officials and planned corrective actions:

We have discussed this finding with our auditor and we do agree with his recommendations as described above. We also agree that the main reason that this type of detailed listing has not been completed is due to a lack of available time and available resources within the finance department. We have taken steps towards freeing up available time by hiring a part time accounting individual to assist the department in account reconciliations. We hope that this internal control deficiency will be adequately addressed during the upcoming fiscal year and hope that this finding will no longer be applicable going forward.

**Town of Lebanon, Connecticut**  
Schedule of findings and questioned costs (continued)  
June 30, 2012

**12-05 - Internal control over the results of operations**

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:

As part of the annual audit, revenue and expenditure accounts are either tied out directly to supporting documentation or other analytical procedures are applied to determine if either the increase or decrease in the accounts are reasonable and supported with specific changes in the type or volume of the related activity when they do not appear reasonable. We do recognize that at times there is no discernable reason for the fluctuation in revenue and expenditure accounts from one fiscal year to another. However, during the current fiscal year there was a reduction in a recorded revenue account from the previous fiscal year that by itself was not material but in looking at the decrease in the account over the previous five year period, the account has decreased from approximately \$57,000 during the 2008 fiscal year to approximately \$7,000 during the current fiscal year. During this period an associated account increased in value and appeared to offset the decreases in the account in questions. However, during the current fiscal year, both accounts decreased seemingly dispelling the theory that the decreases in the account in question were being offset by the increases in the associated account. The Town has as of yet been unable to present a reasonable explanation for this material downward trend in this revenue account which has occurred over the aforementioned five year period. We do consider this condition to represent a significant deficiency in internal control over financial reporting.

Context:

We feel that the Town should be able to reasonably explain material fluctuations which occur in revenue and expenditure accounts from one fiscal year to the next as well as material trends which appear to be occurring over an extended period of time. This would allow the Town to determine if budgetary amounts need to be adjusted as well as whether possible mis-posting errors are occurring which may be causing the fluctuations. In addition, the Town should have some type of internal control system in place to recognize these types of material trends and address them in a timely manner.

Effect:

With the Town not being able to provide a reasonable explanation for the material downward trend in this account it is difficult to ensure that an accurate financial picture of the Town's finances is being presented 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:

The specific cause for the material downward trend in this revenue account is unknown at this time. It would appear that the Town does not have an adequate system of internal controls in place to identify this type of situation so that the cause can be researched and identified and corrected, if necessary, in a timely manner.

Recommendation:

We recommend that the Town continue to research this situation to determine if a reasonable explanation can be found and if any corrections are necessary they should be prepared in a timely manner. We also recommend that a system of internal controls be developed and implemented in the hopes of identifying and addressing this type of situation in a more timely manner.

Views of responsible officials and planned corrective actions:

We have discussed this finding with our auditor and we do agree with his recommendations. We are continuing to research this item and we believe that there is a reasonable explanation for the material downward trend in this revenue account. We will address any necessary adjustments or corrections once our research has been completed. We also plan to more closely monitor the fluctuations in material revenue accounts so that they can be addressed, if necessary, in a more timely manner.

Town of Lebanon, Connecticut  
Summary schedule of prior audit findings  
June 30, 2012

**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

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.

Status:

It would appear as though the finance department of the Board of Education did review its system of internal controls relating to the completion and retention of all required grant filings as well as ensuring that adequate backup documentation is attached to copies of all required grant filings. All of the grant related reports requested during the current fiscal year were made available and did appear to contain adequate backup documentation. Therefore, this audit finding would appear to have been fully corrected as it relates to the current fiscal year testing of this type of compliance requirement and the related internal controls.

**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

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.

Status:

It would appear as though the special education department of the Board of Education did 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 applicable cost principles regarding salaries and wages. These two semi-annual wage certifications were made available during the current fiscal year audit. Therefore, this audit finding would appear to have been fully corrected as it relates to the current fiscal year testing of this type of compliance requirement and the related internal controls.

**Town of Lebanon, Connecticut**  
**Summary schedule of prior audit findings (continued)**  
**June 30, 2012**

**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

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.

Status:

No information regarding any communications received by the Town or the Board of Education from either the federal awarding agency or the pass-through agency were disclosed during the current fiscal year audit. The status of this finding will be reviewed and reported on as part of the upcoming fiscal years audit.

# 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, 2012. 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, 2012.

### 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, 2012, and have issued our report thereon dated January 21, 2013, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the Town of Lebanon, Connecticut's financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements 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



January 21, 2013

**Town of Lebanon, Connecticut**  
 Schedule of expenditures of state financial assistance  
 For the year ended June 30, 2012

<u>State grantor/pass through Grantor/program title</u>	<u>State grant program Core-CT number</u>	<u>Expenditures</u>
<b><u>Office of Policy and Management:</u></b>		
Payment in lieu of taxes (PILOT) on state owned property	11000-OPM20600-17004-2012	\$ 32,032
Disabled program	11000-OPM20600-17011-2012	616
Property tax relief for elderly and totally disabled homeowners	11000-OPM20600-17018-2012	28,988
Property tax relief for veterans	11000-OPM20600-17024-2012	2,410
Local capital improvement program	12050-OPM20600-40254-2012	266,121
<b><u>Department of Education:</u></b>		
Healthy food initiative	11000-SDE64370-16212-2012	9,979
Child nutrition program state match	11000-SDE64370-16211-2012	4,592
Vocational Agriculture	11000-SDE64370-17017-2012	138,492
Adult education	11000-SDE64370-17030-2012	7,532
School readiness	11000-SDE64370-12113-2012	107,000
School readiness quality enhancement	11000-SDE64370-17097-2012	3,971
School breakfast program	11000-SDE64370-17046-2012	9,628
<b><u>Connecticut State Library:</u></b>		
Historic documents preservation grant	12060-CSL66094-35150-2012	3,500
Grants to public libraries	11000-CSL66051-17003-2012	1,218
Connecticard payments	11000-CSL66051-17010-2012	1,000
<b><u>Department of Transportation:</u></b>		
Town aid road grants	12001-DOT57131-17036-2012	154,180
Bus operations	12001-DOT57931-12175-2012	23,831
Fix-it-first bridge repairs	13033-DOT57151-43123-2012	17,697
Pay as you go	12001-DOT57124-12518-2012	32
<b><u>Department of Environmental Protection:</u></b>		
Small town economic assistance program (STEAP)	12052-DEP43153-40531-2012	162,427
<b><u>Department of Agriculture:</u></b>		
Agriculture viability grant	12060-DAG42710-90456-2010	24,808
Farmland preservation	12060-DAG42720-90460-2007	10
<b><u>Department of Economic and Community Development:</u></b>		
Historic preservation activities	12060-ECD46840-90455-2012	19,771

**Town of Lebanon, Connecticut**  
Schedule of expenditures of state financial assistance (continued)  
For the year ended June 30, 2012

State grantor/pass through Grantor/program title	State grant program Core-CT number	Expenditures
<b><u>Other Departments and miscellaneous awards:</u></b>		
Non-budgeted operating appropriations	34001-JUD95162-40001-2012	\$ 7,980
Siting council	12008-CSC38000-40009-2012	150
Other expenses	11000-DRS16312-10020-2012	10
Other expenses	11000-DRS16324-10020-2012	52
Other expenses	11000-DSS60760-10020-2012	10
		1,028,037
Total State Financial Assistance before exempt programs		
Exempt Programs		
<b><u>State Department of Education:</u></b>		
Transportation of school children	11000-SDE64370-17027-2012	100,059
Transportation of school children	11000-SDE64370-17047-2012	69,781
Education equalization grants	11000-SDE64370-17041-2012	5,467,511
Special education excess costs	11000-SDE64370-17047-2012	332,167
<b><u>Department of Public Works:</u></b>		
School construction principal - prior projects	13010-DPW27610-40901-2012	381,672
<b><u>Office of Policy and Management:</u></b>		
Mashantucket Pequot Grant	12009-OPM20600-17005-2012	32,541
Municipal video competition	12060-OPM20600-35362-2011	119
Municipal revenue sharing quarterly payments	12060-OPM20600-35458-2012	24,147
Municipal revenue sharing annual payment	12060-OPM20600-35458-2012	69,222
		6,477,219
Total exempt programs		
Total expenditures of State Financial Assistance		\$ 7,505,256

**Town of Lebanon, Connecticut**  
Notes to Schedule of expenditures of state financial assistance  
For the year ended June 30, 2012

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, 2012**

**I. Summary of Audit Results**

**Financial Statements**

Type of auditor's report issued: Unqualified

**Internal control over financial reporting:**

- |   |                 |     |                 |               |
|---|-----------------|-----|-----------------|---------------|
| • Material weakness (es) identified?                        | <u>        </u> | yes | <u>  X  </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 \$1,028,037, a Type A program shall be considered a non-exempt 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 six 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, two of the Type B programs for which a risk assessment was required were determined to be high-risk and will also be audited as major programs. The total non-exempt state financial assistance expended by the Town for the current audit period was \$1,028,037. The programs tested as major and shown below represent approximately 57% of this total.

State grantor and program	State grant program Core-CT number	Expenditures
Local capital improvement program	12050-OPM20600-40254-2012	\$ 266,121
Town aid road grants	12001-DOT57131-17036-2012	154,180
Small town economic assistance program (STEAP)	12052-DEP43153-40531-2012	162,427
		\$ 582,728

- 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, 2012

**II. Financial Statement Findings**

- We issued our report, dated January 21, 2013, 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 five 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 are labeled as item numbers 12-01 through 12-05 starting on page 69. We do not consider any of these significant deficiencies to be a material weakness.
- Our report on compliance indicated no reportable instances of noncompliance.

**III. State Financial Assistance Findings and Questioned Costs**

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