

*Town of Lebanon, Connecticut*

State Compliance Audit

June 30, 2016

*Stephen T. Hopkins, CPA, PC*

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Auditing , Accounting , and Consulting Services

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**Town of Lebanon, Connecticut**

June 30, 2016

Contents

<b>Financial Section:</b>	Page
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 10
Basic Financial Statements:	
Government -wide financial statements	
Statement A - Statement of net position	11
Statement B - Statement of activities	12 - 13
Fund financial statements	
Statement C - Balance sheet - Governmental funds and the Reconciliation of Statement C to Statement A for all governmental funds and activities	14 - 15
Statement D - Statement of revenues, expenditures, and changes in fund balances - Governmental funds and the Reconciliation of the Statement D to Statement B for all governmental funds and activities	16 - 17
Statement E - Statement of revenues, expenditures, and changes in fund balance - Budget and actual (Budgetary basis) - General fund	18 - 19
Statement F - Statement of net position - Proprietary funds	20
Statement G - Statement of revenues, expenses and changes in net position - Proprietary funds	21
Statement H - Statement of cash flows - Proprietary funds	22
Statement I - Statement of fiduciary net position and Statement of changes in fiduciary net position - Fiduciary funds	23
Notes to the basic financial statements	24 - 55
<b>Required supplementary information:</b>	
Schedule of Town's proportionate share of the net pension liability - Connecticut Teachers' Retirement System	56
Schedule of Town's proportionate share of the net pension liability - Connecticut Municipal Employees Retirement System	57
Schedule of Town contributions - Connecticut Municipal Employees Retirement System	58
<b>Other information:</b>	
Combining Balance sheet and Statement of revenues, expenditures, and changes in fund balances for:	
Schedule A - Non-major governmental funds	59
Schedule B - Non-major special revenue funds	60 - 66
Schedule C - Non-major capital project funds	67
Schedule D - Non-major permanent funds	68 - 70
Combining Statement of fiduciary net position and Statement of changes in fiduciary net position for:	
Schedule E - Private purpose trust funds	71 - 72
Combining Balance sheet and or Statement of revenues, expenditures, and changes in fund balances for:	
Sub-Schedule A - Trumbull investment funds	73
Sub-Schedule B - Town capital funds	74 - 75
Sub-Schedule C - Capital non-recurring fund	76 - 77
Sub-Schedule D - Small cities program funds	78
Other Schedules:	
Sub-Schedule E - Schedule of debt limitation - Connecticut General Statutes, Section 7-374 (B)	79
Sub-Schedule F - Schedule of property taxes levied, collections and outstanding balances	80 - 81
<b>State Compliance Section:</b>	
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 <i>Government Auditing Standards</i>	82 - 83
Schedule of findings and questioned costs	84 - 87
Independent Auditors Report on Compliance for each major state program and Internal control over compliance and the Schedule of expenditures of state financial assistance required by the State Single Audit Act	88 - 89
Schedule of expenditures of state financial assistance	90 - 91
Notes to Schedule of expenditures of state financial assistance	92
Schedule of findings and questioned costs	93 - 94

# *Stephen T. Hopkins, CPA, PC*

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## Auditing, Accounting, and Consulting Services

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### Independent Auditors' Report

Board of Finance  
Board of Selectmen  
Town of Lebanon, Connecticut

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type 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, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### **Unmodified 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 business-type 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, 2016, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Emphasis of Matters**

### *Change in Accounting Principle*

As discussed in Note 1 to the financial statements, during the fiscal year ended June 30, 2016, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 and the schedules of proportionate share of the net pension liability and the schedule of town contributions on pages 56 through 58 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Lebanon, Connecticut's basic financial statements. The accompanying combining and individual fund financial statements, the schedule of property taxes levied, collections and outstanding balances, the schedule of debt limitation, and the schedule of expenditures of state financial assistance as required by the State Single Audit Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying combining and individual fund financial statements, the schedule of property taxes levied, collections and outstanding balances, the schedule of debt limitation, and the schedule of expenditures of state financial assistance as required by the State Single Audit Act are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information described above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2017, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Lebanon, Connecticut's internal control over financial reporting and compliance.

Stephen T. Hopkins, CPA, PC

*Stephen T. Hopkins, CPA, PC*

Scarborough, Maine  
February 8, 2017

**Town of Lebanon, Connecticut**  
Management's Discussion and Analysis  
June 30, 2016

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, 2016. 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 for the governmental and business-type activities of the Town as found in the government-wide financial statements.

**Financial Highlights - Government-wide financial statements - Governmental activities**

- The Town's total assets exceeded its total liabilities by \$41,836,606 (net position) as of the end of the current fiscal year. This compares to the prior fiscal year when total assets exceeded total liabilities by \$40,065,348 as restated. This represents a favorable increase of \$1,771,258 or approximately 4.42%.
- The Town's net investment in capital assets net position 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 net investment in capital assets net position balance of the Town was \$32,317,677 as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$31,980,383 as restated. This represents an increase of approximately 1.06% which is the result of a decrease in the related long-term debt of (\$409,402), current depreciation in the amount of \$1,726,711 and current net capital asset additions in the amount of \$1,654,603.
- The Town's restricted net position is 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. This net position *cannot* be used to finance the day-to-day activities and operations of the Town. The total restricted net position balance of the Town was \$4,659,941 as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$4,191,415 as restated. This represents an increase of approximately 11.18%. This increase is due in large part to an increase in the fair value of restricted investments within the Trumbull investment funds of \$245,123 and current fiscal year school encumbrances of \$280,098 which compares to no encumbrances being recorded during the prior fiscal year.
- The Town's unrestricted net position balance is the component of net position 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 position balance of the Town was \$4,858,988 as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$3,893,550 as restated. This represents a favorable increase of approximately 24.80%. Unrestricted net position is calculated by subtracting the known net investment in capital assets balance and the restricted net position balance from the known total net position balance. Therefore, the change in this balance is a direct correlation of the changes in the other two components.
- The Town's total revenues for its governmental activities were \$29,418,692 for the current fiscal year. This compares to the prior fiscal year balance of \$28,631,832 as restated. This represents an increase of \$786,860 or approximately 2.75%. This is due to a number of increases in revenue categories such as property tax revenues which increased by \$858,166 and the change in investment fair value which increased by \$314,960. These increases were offset in part by operating grants which decreased by (\$522,101) and miscellaneous revenues which decreased by (\$140,265).
- The cost of the Town's governmental activities was \$27,647,434 for the current fiscal year. The amount of these costs ultimately financed by general revenues of the Town, however, was only \$16,872,138 due to a portion of these costs being paid for by individuals receiving certain benefits through charges for services in the amount of \$1,379,458 and through operating and capital grants received from the State (state and federal dollars) in the amount of \$9,395,838. This amounts to approximately 61.02% of the cost of these governmental activities actually being financed by the general revenues of the Town. This compares to approximately 60.91% of the cost of the governmental activities of the Town being financed by the general revenues of the town for the prior fiscal year as restated. The individual breakdown of how these charges for services and operating and capital grants were received by department for the current fiscal year is shown on Statement B on page 12 and 13.
- The Board of Education and the related programs of the Town received approximately \$999,499 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 \$1,154,415 in the prior fiscal year. These revenue amounts represent the amounts recorded by the Town in the fund financial statements as part of the non-major special revenue funds. The amounts shown in the government-wide financial statements have been adjusted for unearned amounts which are recorded as unearned revenues on the Statement of net position.

**Town of Lebanon, Connecticut**  
Management's Discussion and Analysis  
June 30, 2016

**Financial Highlights - Government-wide financial statements - Business-type activities**

- The Town established two internal funds to account for the operations of the Amston Lake Water Pollution Control Authority (the Authority). The benefit assessment proprietary fund which is shown as a business-type activity in both the fund financial statements and the government-wide financial statements is responsible for the related capital assets of the project, debt repayment and benefit assessment collections. The operating proprietary fund which is also shown as a business-type activity in both the fund financial statements and the government-wide financial statements is responsible for the operating costs of the authority and as such the billing and collection of user fees. Current fiscal year assessment principal collections totaled \$236,466 leaving a current and long-term receivable amount due of \$3,593,916. Current fiscal year borrowed interest collections totaled \$87,206 including currently billed amounts and previously billed amounts leaving a outstanding receivable of \$25,073. Current fiscal year user fee collections totaled \$166,068 including currently billed amounts and previously billed amounts leaving a outstanding receivable of \$28,600.

**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 position and the Statement of activities which are shown on pages 11 through 13 and which provide information about the governmental and business-type 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 14 and 16 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 18 and 19. The proprietary fund financial statements consist of a Statement of net position, a Statement of revenues, expenses and changes in net position and a Statement of cash flows which are shown on pages 20 through 22. The proprietary activities of the Town are accounted for within two enterprise funds which are used to account for the activities of the Amston Lake Water Pollution Control Authority and an internal service fund which is used to account for the self funding dental plan of the Town. The fiduciary fund financial statements consist of a Statement of fiduciary net position and a Statement of changes in fiduciary net position which are shown on page 23. The fiduciary activities of the Town are those 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 11 with the Statement of net position. 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 position and the statement of activities report information about the Town as a whole and about its activities in a way that helps answer this question. The statement of net position 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. 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.

These two statements report the Town's net position and the changes in this net position. You can think of this net position as one way to measure the financial health and financial position of the Town. The net position 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 position is 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 three different kinds of activities on the reporting level. These categories are governmental, business-type, and component units. The Authority's activities are classified as both governmental activities and business-type activities and are characterized as follows:

**Town of Lebanon, Connecticut**  
Management's Discussion and Analysis  
June 30, 2016

- **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.
- **Business-type activities** - Business-type activities are reported in funds which focus on the determination of operating income, changes in net position, and cash flows. The business-type activities of the Town are accounted for within proprietary funds and more specifically enterprise funds. The Town uses two enterprise funds to account for the activities of the Amston Lake Water Pollution Control Authority which are designed to account for charges for services and other collections to be used to fund the operating activities and the repayment of long-term debt and the capital assets of the Authority.

### **Reporting the Town's most significant funds**

Our analysis of the Town's major funds begins on page 14 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 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 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.

### **Reporting the Town's other funds - Proprietary funds**

Our analysis of the Town's proprietary funds begin on page 20 with the Statement of net position. The statement of net position presents the financial position of the proprietary funds at the end of the fiscal year. This statement reports the assets, liabilities, and net position of the Town. The assets and liabilities are presented in a classified format to distinguish between current and long-term assets and liabilities. In addition, the assets and liabilities are presented in the order of their relative liquidity. The statement of revenues, expenses and changes in net position is the operating statement of proprietary funds. This statement also segregates revenues and expenses between the category of operating and non-operating. Operating revenues and expenses are subtracted to come up with the operating income or loss from operations. Non-operating revenues and expenses are then shown by line item in a section following the results of the operations. The proprietary funds of the Town will also utilize a statement of cash flows. The purpose of the statement of cash flows is to provide relevant information about the cash receipts and payments made by these funds during each reporting period. The Town's proprietary funds are characterized as follows:

- **Proprietary funds** - Proprietary funds are both governmental and business-type activity funds which focus on the determination of operating income, changes in net position and cash flows. Proprietary funds include both enterprise funds (business-type) and internal service funds (governmental funds).

### **The Town as a trustee - Fiduciary funds**

Fiduciary fund reporting focuses on net position and changes in net position. 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.

**Town of Lebanon, Connecticut**  
Management's Discussion and Analysis  
June 30, 2016

**The Town as a whole - Assets, liabilities, and net position**

The information provided below represents government-wide information for the governmental and business-type 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 as a whole to its current liabilities as a whole and gives an indication of the Town's ability to pay current obligations. As of the end of the current fiscal year the total current ratio of the Town was 2.61 to 1 compared to the end of the prior fiscal year when the total current ratio was 4.07 to 1 as restated. 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 and those non-current liabilities due within one year from the current assets of the Town as a whole. As of the end of the current fiscal year the Town's positive total working capital balance was \$8,376,745. This compares to the prior fiscal year positive balance of \$7,036,056 as restated.

	Governmental activities		Business-type activities		Totals	
	2016	2015	2016	2015	2016	2015
Current assets	\$ 12,550,388	\$ 7,854,264	\$ 1,016,392	\$ 1,470,472	\$ 13,566,780	\$ 9,324,736
Other assets	3,930,583	4,103,459	3,987,501	3,610,847	7,918,084	7,714,306
Capital assets	34,600,132	34,672,240	6,243,431	6,330,145	40,843,563	41,002,385
	51,081,103	46,629,963	11,247,324	11,411,464	62,328,427	58,041,427
Deferred outflows of resources	178,381	134,319	-	-	178,381	134,319
Current liabilities	4,508,695	1,534,874	26,950	104,812	4,535,645	1,639,686
Non-current liabilities						
Due within one year	566,269	563,030	88,121	85,964	654,390	648,994
Due after one year	4,347,914	4,442,986	4,522,400	4,610,842	8,870,314	9,053,828
	9,422,878	6,540,890	4,637,471	4,801,618	14,060,349	11,342,508
Deferred inflows of resources	-	158,044	-	-	-	158,044
Net position:						
Net Investment capital assets	32,317,677	31,980,383	1,632,910	1,633,339	33,950,587	33,613,722
Restricted	4,659,941	4,191,415	-	-	4,659,941	4,191,415
Unrestricted	4,858,988	3,893,550	4,976,943	4,976,507	9,835,931	8,870,057
	<u>\$ 41,836,606</u>	<u>\$ 40,065,348</u>	<u>\$ 6,609,853</u>	<u>\$ 6,609,846</u>	<u>\$ 48,446,459</u>	<u>\$ 46,675,194</u>
Restricted net position:						
Expendable:						
Restricted investment funds	\$ 2,795,145	\$ 2,550,022	\$ -	\$ -	\$ 2,795,145	\$ 2,550,022
Restricted donation funds	326,139	330,959	-	-	326,139	330,959
Enabling legislation funds	69,457	64,341	-	-	69,457	64,341
Community projects	814,358	874,398	-	-	814,358	874,398
Encumbrances	280,098	-	-	-	280,098	-
Permanent funds residual	32,979	6,510	-	-	32,979	6,510
	4,318,176	3,826,230	-	-	4,318,176	3,826,230
Non-expendable:						
Prepays and inventory	19,493	42,913	-	-	19,493	42,913
Permanent funds principal	322,272	322,272	-	-	322,272	322,272
	341,765	365,185	-	-	341,765	365,185
	<u>\$ 4,659,941</u>	<u>\$ 4,191,415</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,659,941</u>	<u>\$ 4,191,415</u>

**Town of Lebanon, Connecticut**  
Management's Discussion and Analysis  
June 30, 2016

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

The information provided below represents government-wide information for the governmental and business-type 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 of total Town expenditures actually financed by the general revenues of the Town. This amount 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.

	Governmental activities		Business-type activities		Totals	
	2016	2015	2016	2015	2016	2015
<b>Program revenues</b>						
Charges for services	\$ 1,379,458	\$ 1,150,239	\$ 279,415	\$ 274,725	\$ 1,658,873	\$ 1,424,964
Operating grants	9,323,815	9,845,916	-	-	9,323,815	9,845,916
Capital grants	72,023	14,208	-	-	72,023	14,208
<b>General revenues</b>						
Property tax revenues	17,741,801	16,883,635	-	-	17,741,801	16,883,635
State tax relief revenues	38,395	73,328	-	-	38,395	73,328
Other state revenues	65,864	65,230	-	-	65,864	65,230
Investment fair value change	275,408	-39,552	-	-	275,408	-39,552
Interest and dividends	125,997	102,632	1,678	1,470	127,675	104,102
Miscellaneous	375,931	516,196	6,175	8,211	382,106	524,407
Transfers	20,000	20,000	-20,000	-20,000	-	-
<b>Total revenues</b>	<u>29,418,692</u>	<u>28,631,832</u>	<u>267,268</u>	<u>264,406</u>	<u>29,685,960</u>	<u>28,896,238</u>
<b>Expenses</b>						
General government	948,316	837,547	-	-	948,316	837,547
Public safety	632,068	563,976	-	-	632,068	563,976
Public works	1,495,182	1,481,709	-	-	1,495,182	1,481,709
Education	20,379,268	20,469,570	-	-	20,379,268	20,469,570
Education - on behalf	1,917,092	1,947,648	-	-	1,917,092	1,947,648
Health & social	948,135	915,499	-	-	948,135	915,499
Community preservation	160,144	205,252	-	-	160,144	205,252
Unclassified and program	588,890	1,101,322	-	-	588,890	1,101,322
Capital outlay	-	54,693	-	-	-	54,693
Depreciation						
General infrastructure	490,104	481,963	-	-	490,104	481,963
Debt service						
Interest	88,235	108,804	117,099	123,274	205,334	232,078
Sewer	-	-	150,162	151,252	150,162	151,252
<b>Total expenses</b>	<u>27,647,434</u>	<u>28,167,983</u>	<u>267,261</u>	<u>274,526</u>	<u>27,914,695</u>	<u>28,442,509</u>
<b>Change in net position</b>	1,771,258	463,849	7	-10,120	1,771,265	453,729
<b>Net position - July 1</b>	<u>40,065,348</u>	<u>39,601,499</u>	<u>6,609,846</u>	<u>6,619,966</u>	<u>46,675,194</u>	<u>46,221,465</u>
<b>Net position - June 30</b>	<u>\$41,836,606</u>	<u>\$40,065,348</u>	<u>\$ 6,609,853</u>	<u>\$ 6,609,846</u>	<u>\$48,446,459</u>	<u>\$46,675,194</u>
<b>Financed by general revenues:</b>						
Total expenses	\$27,647,434	\$28,167,983	\$ 267,261	\$ 274,526	\$27,914,695	\$28,442,509
Less charges for services	-1,379,458	-1,150,239	-279,415	-274,725	-1,658,873	-1,424,964
Less operating grants	-9,323,815	-9,845,916	-	-	-9,323,815	-9,845,916
Less capital grants	-72,023	-14,208	-	-	-72,023	-14,208
	<u>\$16,872,138</u>	<u>\$17,157,620</u>	<u>\$ -12,154</u>	<u>\$ -199</u>	<u>\$16,859,984</u>	<u>\$17,157,421</u>

**Town of Lebanon, Connecticut**  
Management's Discussion and Analysis  
June 30, 2016

**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 and the Amston Lake sewage system. 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 1J on page 30 and note 5 on page 40.

	Governmental activities		Business-type activities		Totals	
	2016	2015	2016	2015	2016	2015
Land and improvements	\$ 2,228,189	\$ 2,228,189	\$ -	\$ -	\$ 2,228,189	\$ 2,228,189
Buildings and improvements	36,956,148	36,522,336	-	-	36,956,148	36,522,336
Vehicles	4,115,864	4,034,864	-	-	4,115,864	4,034,864
Equipment	1,264,290	1,070,093	-	-	1,264,290	1,070,093
Infrastructure	28,854,239	28,046,194	-	-	28,854,239	28,046,194
Sewage system	-	-	6,503,574	6,503,574	6,503,574	6,503,574
Construction in progress	101,769	28,220	-	-	101,769	28,220
Total historical value	<u>73,520,499</u>	<u>71,929,896</u>	<u>6,503,574</u>	<u>6,503,574</u>	<u>80,024,073</u>	<u>78,433,470</u>
Less accumulated depreciation	<u>-38,920,367</u>	<u>-37,257,656</u>	<u>-260,143</u>	<u>-173,429</u>	<u>-39,180,510</u>	<u>-37,431,085</u>
Total capital assets (net)	<u>\$ 34,600,132</u>	<u>\$ 34,672,240</u>	<u>\$ 6,243,431</u>	<u>\$ 6,330,145</u>	<u>\$ 40,843,563</u>	<u>\$ 41,002,385</u>

**Debt administration**

The debt of the town includes long-term bonds, notes and capital leases payable, accrued landfill post-closure care costs and accrued compensated absences (accumulated vacation and sick time) in accordance with the established personnel policies of the Town and Board of Education and pension contributions payable, net pension liability and other post employment benefit liabilities in accordance with generally accepted accounting principles. All long-term debt related outstanding payables are incurred through the approval of the inhabitants of the Town in accordance with applicable state statutes. The applicable state debt limitations as set forth in the Connecticut General Statutes, Section 7-374 (b) and the towns outstanding balances in comparison to these limitations can be found in the schedule of debt limitations, Sub-schedule E on page 79. More detailed information on the Town debt can be found in note 6 on pages 41 and 42.

	Governmental activities		Business-type activities		Totals	
	2016	2015	2016	2015	2016	2015
Outstanding payables:						
Portion due within one year	\$ 545,190	\$ 513,436	\$ 88,121	\$ 85,964	\$ 633,311	\$ 599,400
Portion due after one year	1,737,265	2,178,421	4,522,400	4,610,842	6,259,665	6,789,263
Other liabilities:						
Accrued compensated absences						
School employees	38,837	39,411	-	-	38,837	39,411
Town employees	39,851	39,185	-	-	39,851	39,185
Accrued landfill post-closure	42,631	54,631	-	-	42,631	54,631
Pension contribution payable	18,158	27,237	-	-	18,158	27,237
Net pension liability	656,951	465,732	-	-	656,951	465,732
Other postemployment benefits	1,835,300	1,715,200	-	-	1,835,300	1,715,200
Total debt	<u>\$ 4,914,183</u>	<u>\$ 5,033,253</u>	<u>\$ 4,610,521</u>	<u>\$ 4,696,806</u>	<u>\$ 9,524,704</u>	<u>\$ 9,730,059</u>

**Town of Lebanon, Connecticut**  
Management's Discussion and Analysis  
June 30, 2016

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 and business-type 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 14 and the Statement of revenues, expenditures, and changes in fund balances on page 16.

**Financial highlights - Fund financial statements - Governmental funds**

- The total assets of the Town's governmental funds exceeded the total liabilities by \$11,335,659 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 \$10,038,858 as restated, a favorable increase of \$1,296,801 or approximately 12.92%. This favorable increase is due to the positive results of the general fund of \$1,033,243, the Trumbull investment funds of \$245,123 and the town capital funds of \$219,841 and the negative results of the small cities program funds of (\$60,040) and the non-major governmental funds of (\$141,366). These increases and decreases and other fund changes can be seen by reviewing Statement D on page 16 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 \$29,172,600 for the current fiscal year in comparison to \$28,587,274 as restated in the prior fiscal year. This represents an increase of \$585,326 or approximately 2.05%. This is due in large part to the current year change in property tax revenues which was a positive increase in the amount of \$860,649. This increase was due to both a higher annual commitment and a higher than anticipated collection rate. In addition, the intergovernmental other revenue current year change was a negative (\$361,884) while the current year change in intergovernmental education revenue was also a negative (\$264,386) due to changes in state funding.
- The total expenditures of the Town's governmental funds were \$28,010,799 for the current fiscal year in comparison to \$28,085,954 as restated in the prior fiscal year. This represents a slight decrease of \$75,155 or approximately .27%. This slight decrease is made up a number of increases and decrease within the funds of the Town. The town capital funds increased its expenditures by \$252,145 due in part to new expenditures relating to the town library project in the amount of \$75,783 and the town bridge projects in the amount of \$330,474 and reduced expenditures for the completed LES building project of (\$237,493). The small cities program funds decreased its expenditures by (\$307,989) due in part to the completion of the prior fiscal year community development block grant and only the initial beginnings of the new grant. There were a number of other expenditure account increases and decreases from the prior fiscal year to 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 \$1,033,243 for the current fiscal year in comparison to a negative (\$281,350) as restated for the prior fiscal year. This represents a favorable increase relating in part to the following selected current and prior fiscal year budgetary highlights.
- The actual revenues received in the Town's general fund were \$352,619 higher than the budgeted revenues for the current fiscal year which is a favorable variance in comparison to \$123,976 higher for the prior fiscal year as restated which was also a favorable variance. The current fiscal year actual school tuition revenue received was \$170,466 higher than the budgeted amount in comparison to (\$118,617) lower for the prior fiscal year as restated. The current fiscal year actual revenue amounts received from the State for education cost sharing and related revenues were (\$77,551) lower than the budgeted amount in comparison to \$662 higher for the prior fiscal year as restated. The current fiscal year recorded tax revenues were \$101,375 higher than the budgeted amount in comparison to \$216,722 higher for the prior fiscal year as restated.
- The actual program expenditures in the Town's general fund were \$555,091 lower than the adjusted budgeted expenditures for the current fiscal year which is a favorable variance in comparison to \$135,601 lower than the adjusted budgeted expenditures for the prior fiscal year as restated 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 \$259,895 under the original budget, the contingency account which was \$53,318 under the original budget, the switch board account which was \$50,050 under the original budget and the tax collector account which was \$26,153 under the adjusted budget amount.
- In the current fiscal year, the inhabitants of the Town did not approve the use of any of its unassigned general fund balance. However, the Board of Finance voted to approve the concept of transferring a portion of the remaining unspent education budget to the school capital fund in accordance with State legislature section 10-248a resulting in a current fiscal year approved transfer from the unassigned general fund balance in the amount of \$186,586. 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 did not approve the use of any of its unassigned general fund balance.

**Town of Lebanon, Connecticut**  
Management's Discussion and Analysis  
June 30, 2016

**Business-type activities - Amston Lake Water Pollution Control Authority**

The business-type activities of the Town consist of two enterprise type proprietary funds which are being used to account for both the operating activities and the benefit assessment activities of the Amston Lake Water Pollution Control Authority (the Authority). The Authority was established for the purpose of operating a sewage system located around Amston Lake within the Town. The construction of the sewage system was accounted for as a major capital project fund of the Town. Once the construction project was completed, the resulting capital assets and long-term debt obligations were transferred to the WPCA assessment enterprise fund of the Authority. The operations of the Authority are being accounted for within the WPCA operating enterprise fund with the costs being funded through the billing of user fees to those properties connected to the sewage system. Benefit assessments were assessed to all properties located along the sewage system along with a borrowed interest assessment. The revenues from these assessments will be used to fund the long-term debt principal and interest payments relating to the construction project.

**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 position and statement of activities.

**Economic factors and next year's budgets and rates**

The Town believes it has steadily maintained a sufficient unrestricted net position 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 position  
June 30, 2016

	Primary government			Component unit
	Governmental activities	Business-type activities	Total	Volunteer fire department
<b>Assets:</b>				
Current assets:				
Cash	\$ 2,556,041	\$ 89,428	\$ 2,645,469	\$ 177,484
Investments	9,308,027	671,740	9,979,767	547,942
Accounts receivable	653,466	255,224	908,690	655
Tax acquired property	13,361	-	13,361	-
Inventory	15,985	-	15,985	-
Prepaid items	3,508	-	3,508	-
Total current assets	12,550,388	1,016,392	13,566,780	726,081
Capital assets				
Non-depreciable	2,329,958	-	2,329,958	-
Depreciable (net)	32,270,174	6,243,431	38,513,605	113,721
Total capital assets	34,600,132	6,243,431	40,843,563	113,721
Other assets				
Restricted cash	451,302	-	451,302	-
Restricted investments	3,141,017	-	3,141,017	-
Long-term accounts receivable	133,222	-	133,222	-
Notes receivable	798,230	3,394,313	4,192,543	-
Internal balances	-593,188	593,188	-	-
Total other assets	3,930,583	3,987,501	7,918,084	-
Total Assets	51,081,103	11,247,324	62,328,427	839,802
<b>Deferred outflows of resources</b>				
Pensions	178,381	-	178,381	-
<b>Liabilities:</b>				
Accounts payable	1,094,380	2,791	1,097,171	45,374
Accrued hourly payroll	45,304	566	45,870	-
Other liabilities	95,180	-	95,180	-
Due to other funds	378	-	378	-
Unearned revenues	1,033,453	23,593	1,057,046	-
Bond anticipation note payable	2,240,000	-	2,240,000	-
Noncurrent liabilities:				
Portion due within one year	566,269	88,121	654,390	-
Portion due after one year	4,347,914	4,522,400	8,870,314	-
Total liabilities	9,422,878	4,637,471	14,060,349	45,374
<b>Net Position:</b>				
Net Investment in capital assets	32,317,677	1,632,910	33,950,587	113,721
Restricted				
Expendable	4,318,176	-	4,318,176	-
Non-expendable	341,765	-	341,765	-
Unrestricted	4,858,988	4,976,943	9,835,931	680,707
Total net position	\$ 41,836,606	\$ 6,609,853	\$ 48,446,459	\$ 794,428

See the accompanying notes to the basic financial statements.

**Town of Lebanon, Connecticut**  
Statement of activities  
For the year ended June 30, 2016

	Expenses	Program Revenues		
		Charges for services	Operating grants and contributions	Capital grants and contributions
<b>Primary government:</b>				
<b>Governmental activities:</b>				
General government	\$ -948,316	\$ 106,385	\$ 255	\$ -
Public safety	-632,068	99,142	2,120	-
Public works	-1,495,182	119,055	335,939	-
Education	-20,379,268	985,034	7,010,055	-
Education - on behalf	-1,917,092	-	1,917,092	-
Health & social	-948,135	55,487	36,023	-
Community preservation	-160,144	14,355	16,741	-
Unclassified and program	-588,890	-	5,590	-
Capital outlay	-	-	-	72,023
Depreciation				
General infrastructure	-490,104	-	-	-
Debt service				
Interest	-88,235	-	-	-
Total governmental activities	<u>-27,647,434</u>	<u>1,379,458</u>	<u>9,323,815</u>	<u>72,023</u>
<b>Business-type activities:</b>				
WPCA operating fund	-63,298	187,914	-	-
WPCA benefit assessments fund	-203,963	91,501	-	-
Total business-type activities	<u>-267,261</u>	<u>279,415</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ -27,914,695</u>	<u>\$ 1,658,873</u>	<u>\$ 9,323,815</u>	<u>\$ 72,023</u>
<b>Component unit:</b>				
Volunteer fire department	<u>\$ -363,524</u>	<u>\$ 184,342</u>	<u>\$ 175,000</u>	<u>\$ -</u>

See the accompanying notes to the basic financial statements.

**Town of Lebanon, Connecticut**  
Statement of activities  
For the year ended June 30, 2016

	Net (expenses) revenues and changes in net position			
	Primary government			Component unit
	Governmental activities	Business-type activities	Total	Volunteer fire department
<b>Primary government:</b>				
<b>Governmental activities:</b>				
General government	\$ -841,676	\$ -	\$ -841,676	\$ -
Public safety	-530,806	-	-530,806	-
Public works	-1,040,188	-	-1,040,188	-
Education	-12,384,179	-	-12,384,179	-
Education - on behalf	-	-	-	-
Health & social	-856,625	-	-856,625	-
Community preservation	-129,048	-	-129,048	-
Unclassified and program	-583,300	-	-583,300	-
Capital outlay	72,023	-	72,023	-
Depreciation				
General infrastructure	-490,104	-	-490,104	-
Debt service				
Interest	-88,235	-	-88,235	-
Total governmental activities	<u>-16,872,138</u>	<u>-</u>	<u>-16,872,138</u>	<u>-</u>
<b>Business-type activities:</b>				
WPCA operating fund	-	124,616	124,616	-
WPCA benefit assessments fund	-	-112,462	-112,462	-
Total business-type activities	<u>-</u>	<u>12,154</u>	<u>12,154</u>	<u>-</u>
Total primary government	<u>-16,872,138</u>	<u>12,154</u>	<u>-16,859,984</u>	<u>-</u>
<b>Component unit:</b>				
Volunteer fire department	<u>-</u>	<u>-</u>	<u>-</u>	<u>-4,182</u>
<b>General revenues:</b>				
Property tax revenues	17,741,801	-	17,741,801	-
State property tax relief revenues	38,395	-	38,395	-
Other unclassified state revenues	65,864	-	65,864	-
Net change in fair value of investments	275,408	-	275,408	-4,838
Interest and dividends	125,997	1,678	127,675	4,885
Miscellaneous	375,931	6,175	382,106	52,772
Transfers - Note 4	20,000	-20,000	-	-
Total general revenues	<u>18,643,396</u>	<u>-12,147</u>	<u>18,631,249</u>	<u>52,819</u>
Change in net position	<u>1,771,258</u>	<u>7</u>	<u>1,771,265</u>	<u>48,637</u>
Net position - July 1	40,144,880	6,562,473	46,707,353	744,236
Prior period adjustments - Note 19	<u>-79,532</u>	<u>47,373</u>	<u>-32,159</u>	<u>1,555</u>
<b>Net position - July 1 - restated</b>	<u>40,065,348</u>	<u>6,609,846</u>	<u>46,675,194</u>	<u>745,791</u>
<b>Net position - June 30</b>	<u>\$ 41,836,606</u>	<u>\$ 6,609,853</u>	<u>\$ 48,446,459</u>	<u>\$ 794,428</u>

See the accompanying notes to the basic financial statements.

**Town of Lebanon, Connecticut**  
Balance sheet - Governmental funds  
June 30, 2016

	General fund	Trumbull investment funds	Town capital funds	Small cities program funds	Non-major governmental funds	Totals
<b>Assets</b>						
Cash	\$ 2,434,741	\$ -	\$ -	\$ 16,128	\$ 474,628	\$ 2,925,497
Investments	5,971,079	2,795,145	3,322,750	-	360,070	12,449,044
Receivables (net of allowance)						
Property taxes	592,122	-	-	-	-	592,122
Intergovernmental	-	-	-	-	30,686	30,686
Other	7,039	-	23,619	-	-	30,658
Notes receivable	-	-	-	798,230	-	798,230
Tax acquired property	13,361	-	-	-	-	13,361
Inventory	-	-	-	-	15,985	15,985
Prepaid items	2,008	-	-	-	1,500	3,508
Due from proprietary funds	88,041	-	-	-	-	88,041
Due from other funds	400,245	-	1,420,404	-	995,202	2,815,851
Total assets	<u>\$ 9,508,636</u>	<u>\$ 2,795,145</u>	<u>\$ 4,766,773</u>	<u>\$ 814,358</u>	<u>\$ 1,878,071</u>	<u>\$ 19,762,983</u>
<b>Liabilities</b>						
Accounts payable	\$ 840,086	\$ -	\$ 188,979	\$ -	\$ 63,129	\$ 1,092,194
Accrued hourly payroll	37,895	-	-	-	7,409	45,304
Other liabilities	94,280	-	-	-	900	95,180
Unearned revenues	-	-	1,003,376	-	-	1,003,376
Bond anticipation note	-	-	2,240,000	-	-	2,240,000
Due to proprietary funds	653,188	-	-	-	-	653,188
Due to private purpose trust funds	378	-	-	-	-	378
Due to other funds	2,414,486	-	111,200	-	290,165	2,815,851
Total liabilities	<u>4,040,313</u>	<u>-</u>	<u>3,543,555</u>	<u>-</u>	<u>361,603</u>	<u>7,945,471</u>
<b>Deferred inflows of resources</b>						
Unavailable revenue -						
Property taxes	481,853	-	-	-	-	481,853
Total deferred inflows of resources	<u>481,853</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>481,853</u>
<b>Fund balances</b>						
Nonspendable	2,008	-	-	-	339,757	341,765
Restricted	-	2,795,145	-	814,358	458,652	4,068,155
Committed	-	-	1,370,860	-	513,589	1,884,449
Assigned	280,098	-	-	-	235,688	515,786
Unassigned	4,704,364	-	-147,642	-	-31,218	4,525,504
Total fund balances	<u>4,986,470</u>	<u>2,795,145</u>	<u>1,223,218</u>	<u>814,358</u>	<u>1,516,468</u>	<u>11,335,659</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,508,636</u>	<u>\$ 2,795,145</u>	<u>\$ 4,766,773</u>	<u>\$ 814,358</u>	<u>\$ 1,878,071</u>	<u>\$ 19,762,983</u>

See the accompanying notes to the basic financial statements.

**Town of Lebanon, Connecticut**  
Reconciliation of Statement C to Statement A  
for all governmental funds and activities  
June 30, 2016

Fund balances of governmental funds as shown on Statement C		\$ 11,335,659
Amounts reported for governmental activities in the government-wide financial statements (Statement A) differ from the amounts reported in the fund financial statements (Statement C):		
1 Capital assets used in governmental activities are not financial resources and are not reported on Statement C however they are reported on Statement A and must be added in:		
Cost	73,520,499	
Less accumulated depreciation	-38,920,367	34,600,132
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 inflows of resources 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:		481,853
3 Certain grant revenues received by the Town are recorded as revenue when the amounts are available and measurable in the fund financial statements on the modified accrual basis of accounting. However, the government-wide financial statements record revenues when they have been earned on the accrual basis of accounting and therefore these revenue amounts are deferred on Statement A and therefore must be subtracted out:		-30,077
4 Deferred outflows and inflows of resources represent a consumption or acquisition of net position that applies to a future period, and therefore will not be recognized as an expenditure or revenue until then, and therefore, they are not reported in the fund financial statements:		
Deferred outflows of resources	178,381	
Deferred inflows of resources	-	178,381
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 therefore they must be subtracted out:		
Bonds, notes and capital leases payable	-2,282,455	
Accrued compensated balances	-78,688	
Accrued landfill post-closure costs	-42,631	
Pension obligation payable	-18,158	
Net pension liability	-656,951	
Other post-employment benefits liability	-1,835,300	-4,914,183
6 Delinquent interest and lien fees are recorded as revenue when received and when they become available and measurable in the fund financial statements 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:		133,222
7 The assets, liabilities and net position of the internal service fund are not reported on Statement C however they are reported on Statement A and therefore the net position balance of this fund must be added back in:		51,619
Net position of governmental activities as shown on Statement A		\$ 41,836,606

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, 2016

	General fund	Trumbull investment funds	Town capital funds	Small cities program funds	Non-major governmental funds	Totals
<b>Revenues</b>						
Property tax revenues	\$ 17,703,245	\$ -	\$ -	\$ -	\$ -	\$ 17,703,245
Intergovernmental - education	5,832,323	-	-	-	999,499	6,831,822
Intergovernmental - on behalf	1,917,092	-	-	-	-	1,917,092
Intergovernmental - tax relief	38,395	-	-	-	-	38,395
Intergovernmental - other	386,138	-	72,023	5,590	52,136	515,887
Tuition	774,534	-	-	-	-	774,534
Charges for services	330,926	-	-	-	273,998	604,924
Net change in investment fair value	-	245,226	-	-	30,182	275,408
Interest and dividends	22,807	84,303	7,705	-	11,182	125,997
Miscellaneous	209,962	-	26,119	-	149,215	385,296
Total revenues	27,215,422	329,529	105,847	5,590	1,516,212	29,172,600
<b>Expenditures</b>						
Current:						
General government	942,786	-	-	-	28,667	971,453
Public safety	453,442	-	-	-	14,357	467,799
Public works	1,283,737	-	124,993	-	17,785	1,426,515
Education	18,118,640	-	14,553	-	1,461,574	19,594,767
Education - on behalf	1,917,092	-	-	-	-	1,917,092
Health & social	197,911	-	18,367	-	666,473	882,751
Community preservation	135,658	-	6,800	-	17,686	160,144
Unclassified and program	523,260	-	-	65,630	-	588,890
Capital outlay	-	-	1,229,306	-	44,445	1,273,751
Non-cash capital lease purchase	-	-	115,000	-	-	115,000
Debt service:						
Principle	419,666	-	104,736	-	-	524,402
Interest	83,389	-	4,846	-	-	88,235
Total expenditures	24,075,581	-	1,618,601	65,630	2,250,987	28,010,799
Excess (deficiency) of revenues over (under) expenditures	3,139,841	329,529	-1,512,754	-60,040	-734,775	1,161,801
Other financing sources (uses)						
Non-cash capital lease proceeds	-	-	115,000	-	-	115,000
Transfers in	32,021	-	1,915,163	-	594,323	2,541,507
Transfers out	-2,138,619	-84,406	-297,568	-	-914	-2,521,507
Total other financing sources (uses)	-2,106,598	-84,406	1,732,595	-	593,409	135,000
Net change in fund balance	1,033,243	245,123	219,841	-60,040	-141,366	1,296,801
Fund balances - July 1	3,952,479	2,582,759	1,061,629	17,641	1,628,137	9,242,645
Prior period adjustments - Note 19	748	-32,737	-58,252	856,757	29,697	796,213
<b>Fund balances - July 1 - restated</b>	3,953,227	2,550,022	1,003,377	874,398	1,657,834	10,038,858
<b>Fund balances - June 30</b>	\$ 4,986,470	\$ 2,795,145	\$ 1,223,218	\$ 814,358	\$ 1,516,468	\$ 11,335,659

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, 2016

Net changes in governmental fund balances as shown on Statement D		\$ 1,296,801
Amounts reported for governmental activities in the government-wide financial statements (Statement B) differ from the amounts reported in the fund financial statements (Statement D):		
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:		
Current year capital asset purchases to be capitalized	1,654,603	
Current year depreciation expense on current and previous capital assets	-1,726,711	-72,108
2 Property tax revenues are recognized on Statement D as described in note 1F to the financial statements however they are recorded in the amount of the annual levy in Statement B and therefore the current year adjustment described in note 1F must be eliminated:		21,281
3 The basis of presentation and revenue recognition is different from the government-wide financial statements and the fund financial statements:		
Prior year unearned revenue amounts to be recognized	217,613	
Current year revenue amounts to be recorded as unearned	-30,077	187,536
4 Deferred outflows and inflows of resources represent a consumption or acquisition of net position that applies to future periods, therefore it will not be recognized as an expenditure or revenue until then, and therefore, they are not reported in the fund financial statements but they are recorded in the government-wide financial statements:		
Amortization of and changes in deferred inflow and outflow amounts for pensions		207,905
5 Current year employer pension contributions represent a use of current financial resources and are recorded as expenditures in the fund financial statements. These contributions are reported as deferred outflows of resources in the government-wide financial statements and therefore they must be added back in. Some expenses reported in the government-wide financial statements do not require the use of current financial resources and, therefore, are not reported as expenditures in the fund financial statements:		
Prior year employer pension contributions	-134,319	
Current year employer pension contributions	128,520	-5,799
6 Payments on and changes in long-term liabilities are recorded as current year activities on Statement D however they are shown as increases or decreases in liability accounts in the government-wide financial statements and therefore must be adjusted accordingly:		
Bond, note and capital lease payable principal repayments	524,402	
Non-cash capital lease proceeds	-115,000	
Accrued compensated balances increase	-92	
Accrued landfill post-closure costs decrease	12,000	
Net pension liability increase	-191,219	
Pension contribution payable decrease	9,079	
Other post-employment benefits liability increase	-120,100	119,070
7 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 Statement B:		
Prior year recorded delinquent interest and lien receivable balance	-115,947	
Current year recorded delinquent interest and lien receivable balance	133,222	17,275
8 Net income from the internal service fund is not reported in Statement D however it is reported in Statement B and therefore must be added back in:		-703
Change in net position of governmental activities as shown on Statement B		\$ 1,771,258

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, 2016

	Original budget	Budget revisions	Final budget	Actual	Variance
<b>Revenues</b>					
Property tax revenues	\$ 17,601,870	\$ -	\$ 17,601,870	\$ 17,703,245	\$ 101,375
Intergovernmental - education	5,909,874	-	5,909,874	5,832,323	-77,551
Intergovernmental - tax relief	62,914	-	62,914	38,395	-24,519
Intergovernmental - other	388,135	-	388,135	386,138	-1,997
Tuition	604,068	-	604,068	774,534	170,466
Charges for services	258,500	-	258,500	330,926	72,426
Interest and dividends	12,000	-	12,000	22,807	10,807
Miscellaneous	108,350	-	108,350	209,962	101,612
Total revenues	<u>24,945,711</u>	<u>-</u>	<u>24,945,711</u>	<u>25,298,330</u>	<u>352,619</u>
<b>Expenditures</b>					
General government:					
Legal counsel	20,500	27,713	48,213	48,213	-
Selectmen	131,021	-	131,021	123,557	7,464
Elections	36,552	-	36,552	31,898	4,654
Probate court	2,017	-	2,017	2,017	-
Board of finance	2,600	-	2,600	1,998	602
Finance office	149,060	-	149,060	129,507	19,553
Tax collector	101,075	-	101,075	74,922	26,153
Board of appeals	1,000	-	1,000	917	83
Town clerk	95,893	-	95,893	94,580	1,313
Assessor	71,720	-	71,720	70,381	1,339
Auditor	15,500	12,450	27,950	27,950	-
Town report	1,000	-	1,000	953	47
Computer service	103,763	3,828	107,591	102,441	5,150
Town hall	74,560	-	74,560	71,270	3,290
Insurance	186,125	-	186,125	162,182	23,943
	<u>992,386</u>	<u>43,991</u>	<u>1,036,377</u>	<u>942,786</u>	<u>93,591</u>
Public safety:					
Police services	195,870	11,300	207,170	206,181	989
Lebanon volunteer fire department	175,000	-	175,000	175,000	-
Fire marshall	21,780	-	21,780	15,636	6,144
Burning official	3,250	-	3,250	2,345	905
Building department	23,641	-	23,641	23,567	74
Fire safety complex	33,400	-	33,400	30,643	2,757
Tree warden	185	-	185	70	115
	<u>453,126</u>	<u>11,300</u>	<u>464,426</u>	<u>453,442</u>	<u>10,984</u>
Public works:					
Department of public works	796,341	-	796,341	784,887	11,454
Buildings and grounds	107,262	-	107,262	106,516	746
Snow removal	200,000	-	200,000	195,533	4,467
Street lights	2,350	-	2,350	2,327	23
Solid waste facility	188,604	-	188,604	178,527	10,077
Cemetery commission	13,364	-	13,364	13,335	29
Water pollution control	6,730	-	6,730	2,612	4,118
	<u>1,314,651</u>	<u>-</u>	<u>1,314,651</u>	<u>1,283,737</u>	<u>30,914</u>
Education	18,658,633	-	18,658,633	18,398,738	259,895

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, 2016

	Original budget	Budget revisions	Final budget	Actual	Variance
<b>Health &amp; social:</b>					
Health department	\$ 47,428	\$ 58	\$ 47,486	\$ 47,486	\$ -
Vna	1,000	-	1,000	-	1,000
Human services	19,770	-	19,770	18,384	1,386
Wcmh Paramedic program	41,285	-	41,285	33,079	8,206
United services	5,252	-	5,252	5,252	-
Switch board	69,350	-	69,350	19,300	50,050
Special events	1,000	-	1,000	980	20
Senior center operations	77,545	-	77,545	73,430	4,115
	<u>262,630</u>	<u>58</u>	<u>262,688</u>	<u>197,911</u>	<u>64,777</u>
<b>Community preservation:</b>					
Planning and zoning	137,823	-	137,823	129,272	8,551
Zoning board of appeals	5,060	-	5,060	3,288	1,772
Economic development commission	2,000	-	2,000	880	1,120
Inland wetlands	2,000	46	2,046	2,045	1
Conservation commission	250	-	250	173	77
	<u>147,133</u>	<u>46</u>	<u>147,179</u>	<u>135,658</u>	<u>11,521</u>
<b>Unclassified and program:</b>					
Social security	112,850	-	112,850	100,181	12,669
Medical life dental insurance	305,784	-27,713	278,071	275,772	2,299
Pension plan	157,430	-	157,430	142,149	15,281
Unemployment compensation	5,000	-	5,000	5,158	-158
Contingency	180,000	-126,682	53,318	-	53,318
	<u>761,064</u>	<u>-154,395</u>	<u>606,669</u>	<u>523,260</u>	<u>83,409</u>
<b>Debt service:</b>					
Principal	419,666	-	419,666	419,666	-
Interest	83,389	-	83,389	83,389	-
	<u>503,055</u>	<u>-</u>	<u>503,055</u>	<u>503,055</u>	<u>-</u>
Total expenditures	<u>23,092,678</u>	<u>-99,000</u>	<u>22,993,678</u>	<u>22,438,587</u>	<u>555,091</u>
Excess of revenues over (under) expenditures	<u>1,853,033</u>	<u>99,000</u>	<u>1,952,033</u>	<u>2,859,743</u>	<u>907,710</u>
<b>Other financing sources (uses)</b>					
Utilization of unassigned fund balance	-	186,586	186,586	-	-186,586
Transfers in	-	-	-	32,021	32,021
Transfers out	-1,853,033	-285,586	-2,138,619	-2,138,619	-
Total other financing sources (uses)	<u>-1,853,033</u>	<u>-99,000</u>	<u>-1,952,033</u>	<u>-2,106,598</u>	<u>-154,565</u>
Net change in fund balance	-	-	-	753,145	753,145
Current year encumbrances				280,098	
Non-budgeted State on behalf revenue				1,917,092	
Non-budgeted State on behalf expenditure				-1,917,092	
<b>Fund balances - July 1</b>				<u>3,953,227</u>	
<b>Fund Balance - June 30</b>				<u><u>\$ 4,986,470</u></u>	

See the accompanying notes to the basic financial statements.

**Town of Lebanon, Connecticut**  
Statement of net position  
Proprietary funds  
June 30, 2016

	Business-type activities			Governmental activities
	Enterprise funds			Internal service fund
	WPCA operating fund	WPCA assessment fund	Total	Dental fund
<b>Assets:</b>				
Current assets:				
Cash	\$ 89,428	\$ -	\$ 89,428	\$ 81,846
Investments	-	671,740	671,740	-
Accounts receivables	28,709	1,839	30,548	-
Current portion of benefit assessment notes	-	182,788	182,788	-
Delinquent benefit assessment notes	-	16,815	16,815	-
Delinquent borrowed interest receivable	-	25,073	25,073	-
Total assets	<u>118,137</u>	<u>898,255</u>	<u>1,016,392</u>	<u>81,846</u>
Capital assets				
Non-depreciable	-	-	-	-
Depreciable (net)	-	6,243,431	6,243,431	-
Total capital assets	<u>-</u>	<u>6,243,431</u>	<u>6,243,431</u>	<u>-</u>
Other assets				
Non-current portion of benefit assessment notes	-	3,394,313	3,394,313	-
Internal balances	265,428	327,760	593,188	-
Total other assets	<u>265,428</u>	<u>3,722,073</u>	<u>3,987,501</u>	<u>-</u>
Total Assets	<u>\$ 383,565</u>	<u>\$ 10,863,759</u>	<u>\$ 11,247,324</u>	<u>\$ 81,846</u>
<b>Liabilities:</b>				
Accounts payable	\$ 2,641	\$ 150	\$ 2,791	\$ 2,186
Accrued hourly payroll	566	-	566	-
Unearned revenues	23,593	-	23,593	-
Due to other funds	-	-	-	28,041
Long-term debt				
Portion due within one year	-	88,121	88,121	-
Portion due after one year	-	4,522,400	4,522,400	-
Total liabilities	<u>26,800</u>	<u>4,610,671</u>	<u>4,637,471</u>	<u>30,227</u>
<b>Net Position:</b>				
Net investment in capital assets	-	1,632,910	1,632,910	-
Restricted				
Expendable	-	-	-	51,619
Non-expendable	-	-	-	-
Unrestricted	356,765	4,620,178	4,976,943	-
Total net position	<u>356,765</u>	<u>6,253,088</u>	<u>6,609,853</u>	<u>51,619</u>
Total liabilities and net position	<u>\$ 383,565</u>	<u>\$ 10,863,759</u>	<u>\$ 11,247,324</u>	<u>\$ 81,846</u>

See the accompanying notes to the basic financial statements.

**Town of Lebanon, Connecticut**  
Statement of revenues, expenses and changes in net position  
Proprietary funds  
For the year ended June 30, 2016

	Business-type activities			Governmental activities
	Enterprise funds			Internal service fund
	WPCA operating fund	WPCA assessment fund	Total	Dental fund
<b>Operating revenues:</b>				
Benefits assessment	\$ -	\$ -	\$ -	\$ -
Borrowed interest assessment	-	91,501	91,501	-
Charges for services	187,914	-	187,914	148,064
Other fees	1,892	3,813	5,705	-
Other operating revenues	470	-	470	-
Total operating revenues	<u>190,276</u>	<u>95,314</u>	<u>285,590</u>	<u>148,064</u>
<b>Operating expenses:</b>				
Personal services	21,758	-	21,758	-
Contractual services	1,100	150	1,250	148,767
Operation and maintenance	39,036	-	39,036	-
Depreciation	-	86,714	86,714	-
Administrative costs	1,404	-	1,404	-
Total operating expenses	<u>63,298</u>	<u>86,864</u>	<u>150,162</u>	<u>148,767</u>
Total operating income (loss)	<u>126,978</u>	<u>8,450</u>	<u>135,428</u>	<u>-703</u>
<b>Nonoperating revenues (expenses):</b>				
Investment earnings	-	1,678	1,678	-
Fiscal charges	-	-	-	-
Interest expense	-	-117,099	-117,099	-
Total nonoperating revenues (expenses)	<u>-</u>	<u>-115,421</u>	<u>-115,421</u>	<u>-</u>
Total Income (loss)	<u>126,978</u>	<u>-106,971</u>	<u>20,007</u>	<u>-703</u>
<b>Contributions and transfers:</b>				
Capital contributions	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-20,000	-	-20,000	-
Total contributions and transfers	<u>-20,000</u>	<u>-</u>	<u>-20,000</u>	<u>-</u>
Change in net position	<u>106,978</u>	<u>-106,971</u>	<u>7</u>	<u>-703</u>
Fund balances - July 1	233,500	6,328,973	6,562,473	35,372
Prior period adjustments - Note 19	16,287	31,086	47,373	16,950
<b>Net position - July 1 - Restated</b>	<u>249,787</u>	<u>6,360,059</u>	<u>6,609,846</u>	<u>52,322</u>
<b>Net position - June 30</b>	<u>\$ 356,765</u>	<u>\$ 6,253,088</u>	<u>\$ 6,609,853</u>	<u>\$ 51,619</u>

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, 2016

	Business-type activities			Governmental activities
	Enterprise funds		Total	Internal service fund
	WPCA operating fund	WPCA assessment fund		Dental fund
<b>Cash flows from operating activities:</b>				
Receipts from employees and town	\$ -	\$ -	\$ -	\$ 152,852
Receipts from customers and users	170,009	327,485	497,494	-
Payments for goods and services	-41,008	-	-41,008	-146,581
Payments to employees	-22,350	-	-22,350	-
Other items	470	-	470	-
Utilization of general fund cash account	-87,121	-124,101	-211,222	-
Net cash from operating activities	<u>20,000</u>	<u>203,384</u>	<u>223,384</u>	<u>6,271</u>
<b>Cash flows from noncapital financing activities:</b>				
Transfers to or from other funds	-	-	-	-
Interest paid	-20,000	-	-20,000	-
Net cash from noncapital financial activities	<u>-20,000</u>	<u>-</u>	<u>-20,000</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>				
Principal payments of long-term debt	-	-86,285	-86,285	-
Interest payments of long-term debt	-	-117,099	-117,099	-
Net cash from capital and related financing activities	<u>-</u>	<u>-203,384</u>	<u>-203,384</u>	<u>-</u>
<b>Cash flows from investing activities:</b>				
Investment additions	-	-	-	-
Interest and other receipts	-	1,678	1,678	-
Net cash from investing activities	<u>-</u>	<u>1,678</u>	<u>1,678</u>	<u>-</u>
Change in cash and cash equivalents	-	1,678	1,678	6,271
<b>Cash and cash equivalents - July 1</b>	<u>89,428</u>	<u>670,062</u>	<u>759,490</u>	<u>75,575</u>
<b>Cash and cash equivalents - June 30</b>	<u>\$ 89,428</u>	<u>\$ 671,740</u>	<u>\$ 761,168</u>	<u>\$ 81,846</u>
<b>Reconciliation of operating income (loss) to net cash from operating activities:</b>				
Operating income (loss)	\$ 126,978	\$ 8,450	\$ 135,428	\$ -703
Adjustments:				
Depreciation	-	86,714	86,714	-
Changes in operating assets and liabilities				
(Increase) decrease in internal balances	-87,121	-124,101	-211,222	4,788
(Increase) decrease in accounts receivable	-21,845	232,171	210,326	-
Increase (decrease) in accrued liabilities	-59	150	91	2,186
Increase (decrease) in other liabilities	38	-	38	-
Increase (decrease) in unearned revenue	2,009	-	2,009	-
Net cash from operating activities	<u>\$ 20,000</u>	<u>\$ 203,384</u>	<u>\$ 223,384</u>	<u>\$ 6,271</u>

See the accompanying notes to the basic financial statements.

**Town of Lebanon, Connecticut**  
Statement of fiduciary net position and Statement of changes  
in fiduciary net position - Fiduciary funds  
As of and for the year ended June 30, 2016

	Private purpose trusts	Agency funds	Total
<b>Assets:</b>			
Cash	\$ 7,826	\$ 112,698	\$ 120,524
Investments	72,465	25,692	98,157
Accounts and other receivables	-	-	-
Prepaid items	-	-	-
Due from other funds	378	-	378
Total assets	<u>\$ 80,669</u>	<u>\$ 138,390</u>	<u>\$ 219,059</u>
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ -	\$ -
Unearned revenues	-	-	-
Due to student groups	-	115,860	115,860
Due to other groups	-	22,530	22,530
Total liabilities	<u>-</u>	<u>138,390</u>	<u>138,390</u>
<b>Net position:</b>			
Restricted			
Expendable	80,669	-	80,669
Non-expendable	-	-	-
Unrestricted	-	-	-
Total net position	<u>80,669</u>	<u>-</u>	<u>80,669</u>
Total liabilities and net position	<u>\$ 80,669</u>	<u>\$ 138,390</u>	<u>\$ 219,059</u>
<b>Additions</b>			
Property tax revenues	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-
Interest and dividends	495	-	495
Net change in investment fair value	1,146	-	1,146
Miscellaneous	-	-	-
Total additions	<u>1,641</u>	<u>-</u>	<u>1,641</u>
<b>Deductions</b>			
Salary and wages	-	-	-
Program operating costs	1,100	-	1,100
Capital expenditures	-	-	-
Total deductions	<u>1,100</u>	<u>-</u>	<u>1,100</u>
Change in net position	<u>541</u>	<u>-</u>	<u>541</u>
Net position - July 1	81,378	-	81,378
Prior period adjustment - Note 19	<u>-1,250</u>	<u>-</u>	<u>-1,250</u>
<b>Net position - July 1 - Restated</b>	<u>80,128</u>	<u>-</u>	<u>80,128</u>
<b>Net position - June 30</b>	<u>\$ 80,669</u>	<u>\$ -</u>	<u>\$ 80,669</u>

See the accompanying notes to the basic financial statements.

**Town of Lebanon, Connecticut**  
Notes to the basic financial statements  
June 30, 2016

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. Standards of accounting and financial reporting issued by the Financial Accounting Standards Board, Accounting Principles Board Opinions, and the Accounting Research Bulletins of the American Institute of Certified Public Accountants Committee on Accounting Procedure on or before November 30, 1989, generally are followed in the government-wide financial statements, when applicable, to the extent that those standards do not conflict with or contradict pronouncements of the GASB. 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 position 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 \$23,619 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, 2016

**B. Government-wide financial statements**

**1. Basis of presentation**

The government-wide financial statements consist of a statement of net position 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 position 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 position 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 position balance of the Town consists of the net investment in capital assets (total capital assets net of accumulated depreciation and reduced by the total outstanding debt incurred to purchase the assets), restricted and unrestricted amounts. Restricted net position is present when constraints are imposed externally by creditors, grantors, contributors, other governments, or by law through constitutional provisions or enabling legislation. Unrestricted net position consists of all net position balances not meeting the definition of net investment in capital assets or restricted. Internal balances between individual funds within the governmental 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 on the statement of net position which would cancel out in the total column for the primary government.

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 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 is in reference to both governmental and business-type activities. Internal activity between the governmental and business-type activities of the Town would be shown as transfers on the statement of activities which would cancel out in the total column for the primary government.

**2. Measurement focus and basis of accounting**

The statement of net position 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 position is 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, 2016

**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 position, 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 net position - proprietary funds, a statement of revenues, expenses and changes in net position - proprietary funds, a statement of cash flows - proprietary funds, and a statement of fiduciary net position and a statement of changes in fiduciary net position. 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 records 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, and other non-major governmental fund types such as 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 general operating fund of the Town and accounts for all revenues and expenditures of the Town with the exception of those required to be accounted for in another fund. All general tax revenues and other receipts that (a) are not allocated by law, contractual agreement, governing body motion or town meeting to other funds or (b) that have not been restricted, committed, or assigned to other funds are accounted for in the general 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 or for the accumulation of funds for these purposes.
- 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 position and changes in net position. The proprietary funds of the town consist of two enterprise funds which are used to account for the user fees and benefit assessments relating to the Amston Lake Water Pollution Control Authority (the Authority) and 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.

**Town of Lebanon, Connecticut**  
Notes to the basic financial statements  
June 30, 2016

- e. Enterprise funds - Enterprise funds are used to account for those operations that are financed and operated in a manner which is similar to private business operations or where the Town has decided that the periodic determination of revenues earned, expenses incurred, and /or net income is necessary for management accountability. Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. However, certain instances require the use of an enterprise fund, for example, if the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs. The Town uses enterprise funds to account for both its operating activities which are funded through user fees and its benefit assessments fund which is funded through the actual benefit assessment as well as a borrowed interest assessment both of which relate to the Authority.
- f. Internal service funds - Internal service funds can be used for any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis when the reporting government is the predominant participant in the activity. The Town uses an internal service fund to account for its self funding dental activities.
- g. Private-purpose trust funds - All trust arrangements other than those defined as pension trust funds and investment trust funds are described as private-purpose trust funds under which the principal and income of the fund benefit individuals, private organizations, or other governments.
- h. Agency funds - Agency funds represent resources held in a purely custodial capacity for individuals, private organizations, or other governments.

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 with a description of the meaning and purpose of each category being shown in note 1R starting on page 33. An accompanying schedule is required to reconcile the total governmental fund balance to the total net position balance of the governmental activities of the Town as shown on the government-wide statement of net position.

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 reconcile the total change in governmental fund balances to the total change in net position 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 net position presents the financial position of the proprietary funds at the end of the fiscal year. This statement reports the assets, liabilities, and net position of these funds. The assets and liabilities are presented in a classified format to distinguish between current and long-term assets and liabilities. In addition, 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 position balance of the Town consists of the net investment in capital assets, restricted and unrestricted amounts. Restricted net position is present when constraints are imposed externally by creditors, grantors, contributors, other governments, or by law through constitutional provisions or enabling legislation. Unrestricted net position consists of all net position balances not meeting the definition of net investment in capital assets or restricted. Capital contributions are not displayed as a separate component of net position. In addition, any designations that the Town may make of the unrestricted net position balance will not be reported on the face of the statements but will rather be disclosed in the notes to the financial statements. Internal balances between individual funds within the governmental 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 on the statement of net position which would cancel out in the total column for the primary government.

**Town of Lebanon, Connecticut**  
Notes to the basic financial statements  
June 30, 2016

The statement of revenues, expenses and changes in fund net position is the operating statement of proprietary funds. The Town's business-type operations are accounted for as an enterprise fund which is a proprietary fund. The revenues on this statements should be reported by major sources. This statement also segregates revenues and expenses between the category of operating and non-operating. Operating revenues and expenses are subtracted to come up with the operating income or loss from operations. Non-operating revenues and expenses are then shown by line item in a section following the results of the operations. If the proprietary fund of the Town were to have any revenues from capital contributions, special or extraordinary items or transfers, they would be accounted for in a section after the non-operating results section. The results of all three of these sections would then be consolidated to come up with a changes in net position balance.

The proprietary funds of the Town also utilize a statement of cash flows. The purpose of the statement of cash flows is to provide relevant information about the cash receipts and payments made by the Town during each reporting period. The cash flow statement is broken down between different sections. These sections are an operations section, a non-capital financing transactions section, a capital and related financing transactions section and an investing section. These sections report the relevant cash flow results of each specific activity that occurred during the reporting period. A reconciliation of operating income to the net cash flows from operating activities should also be shown. This reconciliation is designed to provide information about the net affects of operating transactions and other events that effect operating income and cash flows in different periods.

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

## **2. Measurement focus and basis of accounting**

In regard to the governmental activities of the Town, 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, when applicable. 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.

In regard to the proprietary fund activities of the Town, the statement of net position, the statement of revenues, expenses and changes in net position and the statement of cash flows are prepared using the economic resources measurement focus and the accrual basis of accounting. 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 position is 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.

## **D. Deposits and investments**

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. During the current fiscal year, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 72, "*Fair Value Measurement and Application*." The scope of this statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principals for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. The Town has incorporated the required disclosures about fair value measurements, but adoption of the statement did not impact financial statement amounts.

**Town of Lebanon, Connecticut**  
Notes to the basic financial statements  
June 30, 2016

The Town's policy is to value investments at their fair value in accordance with Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. 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 and the State local government investment pool (STIF account). The Town may classify money market accounts and certificates of deposit accounts as investments regardless of maturity in order to more accurately reflect how the Town's cash balances are being used for the benefit of the Town. The Town does have other types of investments that represent assets which have been donated to the Town and therefore are not subject to specific State statute limitations. These donated investments are reported within the Trumbull investment funds as well as permanent and private purpose trust funds. Note 3 starting on page 36 more fully describes certain State statutes regarding the deposit and investing of public funds.

**E. Revenue recognition - property taxes**

The Town's property tax for the current year was levied June 22, 2015 on the grand list as of October 1, 2014, for the real, motor vehicle and personal property located in the Town at a rate of 28.7 mills. Real estate, personal property and motor vehicle taxes were due on July 1, 2015, and January 1, 2016. Supplemental motor vehicle taxes were due on January 1, 2016. Interest on unpaid taxes commenced 30 days after the aforementioned due dates, 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.

**F. Receivables - governmental activities and funds**

All property tax, intergovernmental, and other receivables are reported net of any allowance for doubtful accounts. On the government-wide financial statements, the current year accounts receivable balance of \$653,466 is made up of general property taxes receivable of \$592,122, state, federal and other grant receivables of \$30,686 and other miscellaneous receivables of \$30,658. The long-term accounts receivable balance of \$133,222 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 \$798,230 is related to a CDBG grant and loan fund program received and entered into by the Town which is more fully described in note 14 on page 52. 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.

**G. Sewer benefit assessment, user fees and related receivables**

Properties located along the Lebanon Amston Lake Sewer District "the District" were levied a benefit assessment upon the completion of the sewage system construction project at the flat rate amount of \$16,683 per assessable lot. This benefit assessment was due August 1, 2013. This assessment could have been paid in full by September 1, 2013 with no borrowed interest charges or it could be paid over a period not to exceed 20 years including borrowed interest charges at a rate of 2.50%. The benefit assessment is billed in two semi-annual installments of \$543 which includes a principal and interest portion. The semi-annual benefit assessment installments are due April 1<sup>st</sup> and October 1<sup>st</sup> until such time that the principal portion of the benefit assessment has been paid in full. The borrowed interest portion of the semi-annual installments is the amount which is to be collected relating to the interest which will be payable on the debt which was issued to finance the construction project. The benefit assessment or any installment thereof not paid within thirty (30) days after the due date, shall be delinquent and shall be subject to interest from such due date at the rate and in the manner provided by the General Statutes for delinquent property taxes, together with attorney's fees and costs of collection. If all or any part of a property which has been levied this benefit assessment is sold or transferred, the remaining portion of the assessment may be assumed by the transferee. Current fiscal year assessment principal collections totaled \$236,466 leaving a current and long-term receivable amount due of \$3,593,916. Current fiscal year borrowed interest collections totaled \$87,206 including currently billed amounts and previously billed amounts leaving an outstanding receivable of \$25,073. Current fiscal year user fee collections totaled \$166,068 including currently billed amounts and previously billed amounts leaving an outstanding receivable of \$28,600.

**Town of Lebanon, Connecticut**  
Notes to the basic financial statements  
June 30, 2016

**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. The current value of the recorded tax acquired property of the town was \$13,361 as of the end of the current fiscal year.

**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 \$15,985 as it relates to the school lunch program.

**J. 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 and improvements thereto 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, bridges and water and pollution control improvements. 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 position and the proprietary funds statement of net position. 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 and 75 years for water and pollution control systems. 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 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 related proprietary fund statements and is added to the individual function or department as described above.

**K. Prepaid items**

Payments made to vendors for goods and services that will benefit periods beyond the end of the fiscal year are recorded as prepaid items 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 goods or 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 goods and services that will only benefit periods beyond the end of the fiscal year which are related to grants are recorded as prepaid items regardless of the dollar amount.

**Town of Lebanon, Connecticut**  
Notes to the basic financial statements  
June 30, 2016

**L. 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, 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 and other revenue is deposited 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 inter fund balances and related activities of the governmental funds have been eliminated in the government-wide statement of net position and the statement of activities, however, the inter fund balances and related activity between the governmental and business-type and private purpose trust activities of the Town are not eliminated on these statements.

**M. Unearned revenue and Deferred inflows and outflows of resources**

In the government-wide financial statements, revenue amounts which have been received in cash but not yet earned are recorded as unearned revenue. The current fiscal year unearned revenue balance of the governmental activities of the Town as shown on the statement of net position totaled \$1,033,453. This balance is made up of \$30,077 which represents unspent state, federal and other grant program balances which will be used in the upcoming fiscal year, \$1,000,000 which represents a donation received by the town for the Trumbull library project which will be returned and \$3,376 which represents the accumulated interest on the aforementioned donation which will also be returned. The current fiscal year unearned revenue balance of the business-type activities of the Town as shown on the statement of net position totaled \$23,593 which represents user fee collections received by the town not due until the upcoming fiscal year. In the fund financial statements, revenues are recognized when they are both measurable and available to pay current liabilities. The current fiscal year unearned revenue balance of the governmental activities as shown on the balance sheet totaled \$1,003,376 and is made up of the above mentioned donation and accumulated interest.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The deferred outflows relate to the net pension liability, which include the Town's current fiscal year contributions made subsequent to the measurement date, which are recognized as a reduction of the net pension liability in the subsequent fiscal year. They also may include changes in actuarial assumptions, differences between expected and actual experience, and changes in employer proportional share, which would be deferred and amortized over the average expected remaining service lives of active and inactive members in the pension plan. They may also include the net difference between projected and actual earnings on pension plan investments, which would be deferred and amortized over a five-year period. The current fiscal year deferred outflows of resources balance of the governmental activities of the Town as shown on the statement of net position totaled \$178,381. This balance is made up of current fiscal year pension contributions made by the town in the amount of \$128,520 and the actuarial determined net difference between projected and actual earnings on pension plan investments in the amount of \$49,861.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental activities have deferred inflows that relate to the net pension liability, which may include changes in actuarial assumptions, differences between expected and actual experience, and changes in employer proportional share, which would be deferred and amortized over the average expected remaining service lives of active and inactive members in the pension plan. They may also include the net difference between projected and actual earnings on pension plan investments, which would be deferred and amortized over a five-year period. The governmental funds of the Town currently report on the balance sheet unavailable revenue from property taxes which is calculated when considering the amount of property taxes receivable not expected to be received within the first 60 days after the fiscal year end in this category. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The current fiscal year deferred inflow of resources balance relating to these property taxes receivable is \$481,853.

**N. Unclassified and program expenditures**

The Town uses a departmental expenditure category labeled unclassified and program to account for certain items that they do not feel truly fall into the traditional departmental expenditure categories. The general fund classifies town wide fringe benefits and the small cities program fund classifies operating expenditures into this departmental expenditure category.

**Town of Lebanon, Connecticut**  
Notes to the basic financial statements  
June 30, 2016

**O. Accounts payable, accrued payroll and other liabilities**

The accounts payable balance of the town is used to account for the expenses or expenditures related to invoices for the current fiscal year which have been received but which have not yet been paid. Under both the accrual and modified accrual basis of accounting expenses and expenditures are recorded when they are incurred. The accrued payroll balance is made up of amounts earned through hours worked prior to the end of the fiscal year which were not physically paid until after the end of the fiscal year. The other liabilities balance of \$95,180 is made up of tax refunds issued but not yet paid of \$31,105, driveway and performance bonds which have been received but not yet fulfilled and thus not yet returned of \$57,557, payroll withholding and state amounts due of \$5,618 and other miscellaneous items of \$900.

**P. Long-term obligations and related costs**

Long-term debt and other long-term obligations are reported as liabilities on the governmental-wide statement of net position. Bond premiums and discounts are capitalized and amortized over the life of the bonds using the straight line method, which approximates the effective interest method. The unamortized portion is presented in the government-wide Statement of Net Position as a component of bonds payable. Bond issuance costs are reported as expenses when incurred. The governmental fund financial statements recognize bond premiums and discounts, as well as bond issuance costs, during the period incurred. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Q. 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 and deferred outflows of resources, liabilities and deferred inflows of resources, 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 and deferred outflows of resources, liabilities and deferred inflows of resources, 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 these funds and the activities reported within each fund is as follows. Additional financial information on these funds can be found in Sub-Schedules A through D on pages 73 through 78 of the financial statements.

- d. 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.
- e. Town capital funds - 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 or constructed 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, long-term and short term financing and through other miscellaneous grants and revenues. This fund is individually made up of the capital non-recurring fund which accounts for a number of capital purchases and other internal funds which the town uses to keep track of individual town construction projects.
- f. Small cities program fund - This fund is used to account for and report the proceeds and activity of housing rehabilitation Community Development Block Grants received 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. Each resident receiving benefits under these grants is required to sign a deferred promissory note of which ten percent of the principal balance of the note is forgiven each of the first five years of the note. The residual of this fund is accounted for as restricted net position and fund balance as the Town feels that the recorded revenue has been earned and is both measurable and available to pay all applicable current liabilities of the program fund.

**Town of Lebanon, Connecticut**  
Notes to the basic financial statements  
June 30, 2016

**R. 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 and the non-principal portion of permanent funds.
- 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, any annual budgetary encumbrances outstanding at the end of the fiscal year may 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.

**Town of Lebanon, Connecticut**  
Notes to the basic financial statements  
June 30, 2016

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	Trumbull investment funds	Town capital funds	Small cities program funds	Non-major governmental funds	Totals
Fund balances:						
Nonspendable:						
Prepaid and inventory items	\$ 2,008	\$ -	\$ -	\$ -	\$ 17,485	\$ 19,493
Permanent funds principal	-	-	-	-	322,272	322,272
	<u>2,008</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>339,757</u>	<u>341,765</u>
Restricted:						
Town grants	-	-	-	-	4,088	4,088
Educational grants	-	-	-	-	25,989	25,989
Trumbull donations funds	-	2,795,145	-	-	240,133	3,035,278
Other town donation funds	-	-	-	-	86,006	86,006
Housing rehab income fund	-	-	-	814,358	-	814,358
Enabling legislation funds	-	-	-	-	69,457	69,457
Permanent funds non-principal	-	-	-	-	32,979	32,979
	<u>-</u>	<u>2,795,145</u>	<u>-</u>	<u>814,358</u>	<u>458,652</u>	<u>4,068,155</u>
Committed:						
Town construction projects	-	-	31,326	-	-	31,326
Capital nonrecurring balances	-	-	1,152,948	-	-	1,152,948
School capital fund	-	-	186,586	-	-	186,586
Lebanon public library	-	-	-	-	150,979	150,979
Lebanon recreation commission	-	-	-	-	54,147	54,147
Jonathan Trumbull Jr. house	-	-	-	-	35,290	35,290
Adams community center	-	-	-	-	49,356	49,356
Town improvement program	-	-	-	-	59,800	59,800
Senior vans program	-	-	-	-	103,484	103,484
Lake Williams project	-	-	-	-	60,533	60,533
	<u>-</u>	<u>-</u>	<u>1,370,860</u>	<u>-</u>	<u>513,589</u>	<u>1,884,449</u>
Assigned:						
Dog fund	-	-	-	-	9,779	9,779
Town donation funds	-	-	-	-	14,379	14,379
Fema storm grant funds	-	-	-	-	68,750	68,750
Summer dance festival	-	-	-	-	18,485	18,485
Cemetery lot funds	-	-	-	-	6,881	6,881
Historic building funds	-	-	-	-	10,244	10,244
Educational programs	-	-	-	-	11,197	11,197
Educational activity accounts	-	-	-	-	95,973	95,973
School encumbrances	280,098	-	-	-	-	280,098
	<u>280,098</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>235,688</u>	<u>515,786</u>
Unassigned:						
General fund	4,704,364	-	-	-	-	4,704,364
Town construction projects	-	-	-147,642	-	-	-147,642
Town and Educational grants	-	-	-	-	-31,218	-31,218
	<u>4,704,364</u>	<u>-</u>	<u>-147,642</u>	<u>-</u>	<u>-31,218</u>	<u>4,525,504</u>
<b>Total fund balances</b>	<b>\$ 4,986,470</b>	<b>\$ 2,795,145</b>	<b>\$ 1,223,218</b>	<b>\$ 814,358</b>	<b>\$ 1,516,468</b>	<b>\$ 11,335,659</b>

**Town of Lebanon, Connecticut**  
Notes to the basic financial statements  
June 30, 2016

**S. 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 does utilize encumbrance accounting. The assignment of fund balance at June 30, 2016 was \$280,098 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.

**T. 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 are considered by the Town to be a specific revenue source which are 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. These specific portions of the annual tax commitment are shown within each specific special revenue and capital project fund as a transfer in rather than as property tax revenue. 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 reflected in the financial statements are 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 4, 2015.

Town general fund	Revenues	Expenditures	Other financing sources (uses)	Net change in fund balance
GAAP basis - Statement D	\$ 27,215,422	\$ -24,075,581	\$ -2,106,598	\$ 1,033,243
Current fiscal year encumbrances	-	-280,098	-	-280,098
Prior fiscal year encumbrances	-	-	-	-
State on-behalf payments	-1,917,092	1,917,092	-	-
Budgetary basis - Statement E	<u>\$ 25,298,330</u>	<u>\$ -22,438,587</u>	<u>\$ -2,106,598</u>	<u>\$ 753,145</u>

During the current fiscal year the town had actual departmental expenditures in excess of the approved budgeted departmental expenditures and applicable transfers for the unemployment compensation account in the amount of (\$158).

**U. 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.

**Town of Lebanon, Connecticut**  
Notes to the basic financial statements  
June 30, 2016

**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 position. The other asset restricted investment amount of \$3,141,017 is made up of the balance of the investments which have been donated to the Town and whose interest and earnings are used to partially fund the operations of the Towns library, community center, and the Jonathan Trumbull Jr. house. A portion of this restricted investments balance in the amount of \$2,795,145 can also be seen on the fund financial statements balance sheet as the major fund labeled the Trumbull investment funds. In addition, the permanent funds include restricted investments in the amount of \$345,872. The other assets restricted cash balance is made up of cash balances relating to restricted net position balances which are restricted for specific purposes in subsequent fiscal years. The current year amount shown on the government-wide statement of net position can be broken down as follows.

Community development grants and programs	\$	16,128
Unearned state, federal, and other grant program balances		30,077
Principal balance of non-major permanent funds		9,501
Restricted donation funds		326,139
Enabling legislation program funds		69,457
	<u>\$</u>	<u>451,302</u>

**Note 3 - Deposits and investments**

The deposit of public funds is controlled by the Connecticut General Statutes Section 7-402. Deposits may be made in a qualified public depository as defined by the statute or, in amounts not exceeding FDIC insurance limits, in an out of state bank as defined by the statute, which is not a qualified public depository. Section 7-400 of the statutes permit municipalities to invest public funds in: 1) obligations of the United States and its agencies, 2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof, and 3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open-end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the statutes cover specific municipal funds with particular investment authority. The Town does have other types of investments that represent assets which have been donated to the Town and therefore are not subject to specific state statute limitations.

**Deposits - Primary government**

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. FDIC insurance covers all deposit accounts, including checking and savings accounts, money market deposit accounts and certificates of deposit. The standard insurance amount is \$250,000 per depositor, per insured bank, for each account ownership category. For government accounts the ownership category is per official custodian. At year end, the carrying amount of the Town's deposits was \$13,248,581 which is shown in the financial statements as cash balances of \$3,217,295 and investment balances of \$10,031,286 which represent money market accounts, certificates of deposit and other higher yielding accounts. The corresponding bank balances of these accounts at various financial institutions totaled \$13,950,638 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, \$1,250,000 was covered by FDIC with the remaining \$12,700,638 representing balances that were uninsured and collateralized in part, as described in the following paragraph, by securities held by the pledging financial institutions' trust department or agent but not in the Town's name.

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.

**Town of Lebanon, Connecticut**  
Notes to the basic financial statements  
June 30, 2016

**Deposits - Discretely presented component unit**

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 \$469,856 which is shown in the financial statements as cash balances of \$177,484 and investment balances of \$292,372 which represent money market accounts, certificates of deposit and other higher yielding accounts. The corresponding bank balances of these accounts at various financial institutions totaled \$470,912 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 \$220,912 representing balances that were uninsured and collateralized in part, as described in the previous paragraph, by securities held by the pledging financial institutions' trust department or agent but not in the Department's name.

**Investments - Primary government**

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, 2016.

Type	Fair value	Maturities in years				Credit ratings
		Less than 1 year	1 - 5 years	6 - 10 years	More than 10 years	S & P
<b>Governmental &amp; business type:</b>						
CT short term investment fund	\$ 25,100	\$ 25,100	\$ -	\$ -	\$ -	AAAm
Preferred stocks	10,331	10,331	-	-	-	BBB+
Exchange traded funds	289,213	289,213	-	-	-	not rated
Money market and certificates	9,946,560	9,946,560	-	-	-	not rated
Mutual funds fixed income	115,677	115,677	-	-	-	not rated
Money market ready asset funds	1,690	1,690	-	-	-	not rated
U.S. Treasury notes	10,343	10,343	-	-	-	not rated
Municipal bonds	5,455	-	-	5,455	-	AAA
Municipal bonds	195,515	-	-	-	195,515	AA to AAA
Municipal bonds	10,705	-	-	-	10,705	BBB+
Corporate bonds	168,936	-	168,936	-	-	A to AA+
Corporate bonds	42,806	-	42,806	-	-	BB- to BBB+
Corporate bonds	46,946	-	-	46,946	-	A+
Corporate bonds	87,821	-	-	87,821	-	BBB+
Corporate bonds	22,524	-	-	-	22,524	AA to AA-
	<u>10,979,622</u>	<u>\$ 10,398,914</u>	<u>\$ 211,742</u>	<u>\$ 140,222</u>	<u>\$ 228,744</u>	
Stock equities	2,121,008					
Mutual fund equities & unit trusts	20,154					
	<u>\$ 13,120,784</u>					
<b>Fiduciary funds:</b>						
Money market and certificates	\$ 84,725	\$ 84,725	\$ -	\$ -	\$ -	not rated
Mutual fund equities	13,432					
	<u>\$ 98,157</u>					

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. Concentration of Credit Risk - The Town no policy limiting an investment in any one issuer that is in excess of 5% of the Town's total investments. 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.

**Town of Lebanon, Connecticut**  
Notes to the basic financial statements  
June 30, 2016

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB statements require or permit in the Statement of Net Position or Balance Sheet at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date; Level 2 inputs are other than quoted prices in Level 1 that are observable for the asset or liability, or similar assets or liabilities either directly or indirectly through corroboration with observable market data; Level 3 inputs are significant unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Investments	Fair value	Fair value measurement		
		Level 1	Level 2	Level 3
<b>Governmental &amp; business type:</b>				
CT short term investment fund	\$ 25,100	\$ 25,100	\$ -	\$ -
Preferred stocks	10,331	10,331	-	-
Exchange traded funds	289,213	289,213	-	-
Money market and certificates	9,946,560	9,946,560	-	-
Mutual funds fixed income	115,677	115,677	-	-
Money market ready asset funds	1,690	1,690	-	-
U.S. Treasury notes	10,343	10,343	-	-
Municipal bonds	211,675	211,675	-	-
Corporate bonds	369,033	369,033	-	-
Stock equities	2,121,008	2,121,008	-	-
Mutual fund equities & unit trusts	20,154	20,154	-	-
	<u>\$13,120,784</u>	<u>\$13,120,784</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fiduciary funds:</b>				
Money market and certificates	\$ 84,725	\$ 84,725	\$ -	\$ -
Mutual fund equities	13,432	13,432	-	-
	<u>\$ 98,157</u>	<u>\$ 98,157</u>	<u>\$ -</u>	<u>\$ -</u>

**Investments - Discretely presented component unit**

The following schedule shows the different types of investments held by the Lebanon Volunteer Fire Department, the maturities of those investments and the associated credit ratings as of June 30, 2016.

Type	Fair value	Maturities in years				Credit ratings
		Less than 1 year	1 - 5 years	6 - 10 years	More than 10 years	S & P
Money market and certificates	\$ 292,372	\$ 292,372	\$ -	\$ -	\$ -	not rated
Stock equities	6,475					
Mutual fund equities & unit trusts	249,095					
	<u>\$ 547,942</u>					

Interest Rate Risk - The Department 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 Department does not have a formal investment policy that would further limit its investment choices beyond those limited by Connecticut State statutes. Concentration of Credit Risk - The Department no policy limiting an investment in any one issuer that is in excess of 5% of the Department's total investments. Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Department 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. As described above, all of the Departments investments are recorded at fair value and as such the fair value measurement level must be disclosed. The investments of the Department were all measured at level 1 as of June 30, 2016.

**Town of Lebanon, Connecticut**  
Notes to the basic financial statements  
June 30, 2016

**Note 4 - Inter fund receivables, payables, and transfers**

**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 always expected to be repaid due to the fact that they normally 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. The following fund financial statement inter fund balances are eliminated in the government-wide financial statements with the exception of the proprietary enterprise funds and private purpose trust fund balances which are shown as internal balances on the Statement of net position.

	Receivable due from	Payable due to
<b>General fund:</b>		
Town capital funds	\$ 111,200	\$ 1,420,404
Non-major special revenue funds	288,499	930,068
Non-major capital project funds	-	60,533
Non-major permanent funds	546	3,481
	400,245	2,414,486
Proprietary enterprise funds	60,000	653,188
Proprietary internal service funds	28,041	-
Private purpose trust funds	-	378
	\$ 488,286	\$ 3,068,052
 <b>Town capital funds:</b>		
General fund	\$ 1,420,404	\$ 111,200

**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 general fund transfer out amounts were approved at annual town meeting or subsequent special town meetings. The Board of Finance voted to approve the concept of transferring a portion of the remaining unspent education budget to the school capital fund in accordance with State legislature section 10-248a resulting in a current fiscal year approved transfer from the general fund in the amount of \$186,586. The following information represents inter fund transfers by individual major fund and non-major funds in the aggregate. The amounts shown below for general fund transfers out to the non-major special revenue funds represent each funds portion of the annual tax commitment which is considered each funds specific revenue source in relation to meeting the definition of a special revenue fund. The following fund financial statement inter fund transfers are eliminated in the government-wide financial statements with the exception of proprietary fund transfers which are shown as transfers on the Statement of activities.

	Transfers in	Transfers out
<b>General fund:</b>		
Town capital funds	\$ 11,641	\$ -1,662,215
Non-major special revenue funds	-	-476,404
Non-major permanent funds	380	-
Proprietary funds	20,000	-
	\$ 32,021	\$ -2,138,619
 <b>Trumbull investment funds:</b>		
Non-major special revenue funds	\$ -	\$ -84,406
 <b>Town capital funds:</b>		
General fund	\$ 1,662,215	\$ -11,641
Town capital funds	252,948	-252,948
Non-major capital project funds	-	-32,979
	\$ 1,915,163	\$ -297,568

**Town of Lebanon, Connecticut**  
Notes to the basic financial statements  
June 30, 2016

**Note 5 - Capital assets**

The following schedule shows the capital asset activity for the fiscal year ended June 30, 2016. Information about the specific accounting policies of the Town in relation to capital assets can be found in item J of note 1 on page 30 of the notes to the financial statements. The certain beginning capital asset balances show below as of 07/01/15 have been restated.

	Balance 07/01/15	Additions	Retirements	Balance 06/30/16
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land and improvements	\$ 2,228,189	\$ -	\$ -	\$ 2,228,189
Construction in progress	28,220	150,803	-77,254	101,769
Total capital assets not being depreciated	<u>2,256,409</u>	<u>150,803</u>	<u>-77,254</u>	<u>2,329,958</u>
Capital assets being depreciated:				
Buildings and improvements	36,522,336	433,812	-	36,956,148
Vehicles	4,034,864	145,000	-64,000	4,115,864
Equipment	1,070,093	194,197	-	1,264,290
Infrastructure	28,046,194	808,045	-	28,854,239
Total capital assets being depreciated	<u>69,673,487</u>	<u>1,581,054</u>	<u>-64,000</u>	<u>71,190,541</u>
Less accumulated depreciation for:				
Building and improvements	-14,828,681	-	-911,053	-15,739,734
Vehicles	-2,244,884	64,000	-253,796	-2,434,680
Equipment	-818,995	-	-71,758	-890,753
Infrastructure	-19,365,096	-	-490,104	-19,855,200
Total accumulated depreciation	<u>-37,257,656</u>	<u>64,000</u>	<u>-1,726,711</u>	<u>-38,920,367</u>
Total capital assets being depreciated (net)	<u>32,415,831</u>	<u>1,645,054</u>	<u>-1,790,711</u>	<u>32,270,174</u>
Total capital assets (net)	<u>\$ 34,672,240</u>	<u>\$ 1,795,857</u>	<u>\$ -1,867,965</u>	<u>\$ 34,600,132</u>

Depreciation expense taken on the governmental activities capital assets of the town are charged by function or department in the government-wide financial statements. During the current fiscal year depreciation was charged to general government - \$1,134, public safety - \$164,269, public works - \$139,831, health and social - \$86,481, education - \$844,892 and general infrastructure - \$490,104 for a total current fiscal year depreciation expense amount of \$1,726,711.

	Balance 07/01/15	Additions	Retirements	Balance 06/30/16
<b>Business-type activities:</b>				
Capital assets being depreciated:				
Lebanon Amston Lake Sewage System	\$ 6,503,574	\$ -	\$ -	\$ 6,503,574
Less accumulated depreciation	-173,429	-	-86,714	-260,143
Total capital assets being depreciated (net)	<u>\$ 6,330,145</u>	<u>\$ -</u>	<u>\$ -86,714</u>	<u>\$ 6,243,431</u>

	Balance 07/01/15	Additions	Retirements	Balance 06/30/16
<b>Component unit:</b>				
Capital assets being depreciated:				
Buildings, vehicles and equipment	\$ 330,307	\$ -	\$ -	\$ 330,307
Less accumulated depreciation	-203,102	-	-13,484	-216,586
Total capital assets being depreciated (net)	<u>\$ 127,205</u>	<u>\$ -</u>	<u>\$ -13,484</u>	<u>\$ 113,721</u>

**Town of Lebanon, Connecticut**  
Notes to the basic financial statements  
June 30, 2016

**Note 6 - Long-term debt and other liabilities**

The long-term debt and other liabilities of the Town are made up of the following individual debt agreements and amounts. Long-term debt liabilities are shown on the government-wide financial statements as both governmental activities items and business-type activities items on the statement of net position. They are also shown on the proprietary funds statement of net position within the fund financial statements of the Town. Certain beginning outstanding payable and other liability balances show below as of 07/01/15 have been restated. See note 19 starting on page 54 for a description of the applicable restatements, reclassifications and prior period adjustments.

	Balance 07/1/15	Additions	Reductions	Balance 06/30/16	Amount due within one year
<b>Governmental activities:</b>					
Outstanding payables:					
\$5,750,000 bond payable	\$ 2,285,000	\$ -	\$ -385,000	\$ 1,900,000	\$ 380,000
\$486,650 note payable	93,218	-	-34,666	58,552	36,440
\$94,491 capital lease payable	35,335	-	-30,253	5,082	5,082
\$294,000 capital lease payable	151,758	-	-	151,758	49,594
\$167,446 capital lease payable	28,433	-	-28,433	-	-
\$104,888 capital lease payable	98,113	-	-35,084	63,029	35,775
\$115,000 capital lease payable	-	115,000	-10,966	104,034	38,299
Total outstanding payables	<u>2,691,857</u>	<u>115,000</u>	<u>-524,402</u>	<u>2,282,455</u>	<u>545,190</u>
Other liabilities:					
Accrued comp. absences - school	39,411	-	-574	38,837	-
Accrued comp. absences - town	39,185	666	-	39,851	-
Accrued landfill post-closure costs	54,631	-	-12,000	42,631	12,000
Pension contribution payable	27,237	-	-9,079	18,158	9,079
Net pension liability	465,732	191,219	-	656,951	-
Other postemployment benefits	1,715,200	120,100	-	1,835,300	-
Total other liabilities	<u>2,341,396</u>	<u>311,985</u>	<u>-21,653</u>	<u>2,631,728</u>	<u>21,079</u>
Total long-term liabilities	<u>\$ 5,033,253</u>	<u>\$ 426,985</u>	<u>\$ -546,055</u>	<u>\$ 4,914,183</u>	<u>\$ 566,269</u>
<b>Business-type activities:</b>					
Outstanding payables:					
\$5,105,000 bond payable	<u>\$ 4,696,806</u>	<u>\$ -</u>	<u>\$ -86,285</u>	<u>\$ 4,610,521</u>	<u>\$ 88,121</u>

**Outstanding bonds and notes payable - Governmental activities**

\$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 on the outstanding principal balance is at a rate of 3.80%. \$ 1,900,000

\$486,650 note payable issued in February of 1998 to finance the purchase of property. Monthly payments are \$3,212 through February of 2018 which includes interest at 5.00%. 58,552

\$ 1,958,552

**Outstanding bonds payable - Business-type activities**

\$5,105,000 bond payable issued in January of 2013 to finance the Amston Lake sewer construction project. Annual principal installments are \$203,384 through January of 2053. Interest on the outstanding principal balance is at a rate of 2.50%. \$ 4,610,521

**Town of Lebanon, Connecticut**  
Notes to the basic financial statements  
June 30, 2016

The following is a summary of the total outstanding bond and notes payable principal and interest cash flow requirements for the aforementioned bonds and notes payable of the governmental activities and the business-type activities of the own for the fiscal years ending June 30.:

	Governmental activities			Business-type activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 416,440	\$ 67,080	\$ 483,520	\$ 88,121	\$ 115,263	\$ 203,384
2018	402,112	50,908	453,020	90,324	113,060	203,384
2019	380,000	36,100	416,100	92,582	110,802	203,384
2020	380,000	21,660	401,660	94,897	108,487	203,384
2021	380,000	7,220	387,220	97,269	106,115	203,384
2022 - 2026	-	-	-	524,060	492,860	1,016,920
2027 - 2031	-	-	-	592,926	423,994	1,016,920
2032 - 2036	-	-	-	670,841	346,079	1,016,920
2037 - 2041	-	-	-	758,995	257,925	1,016,920
2042 - 2046	-	-	-	858,734	158,186	1,016,920
2047 - 2051	-	-	-	741,772	45,986	787,758
	<u>\$ 1,958,552</u>	<u>\$ 182,968</u>	<u>\$ 2,141,520</u>	<u>\$ 4,610,521</u>	<u>\$ 2,278,757</u>	<u>\$ 6,889,278</u>

**Outstanding capital leases payable - Governmental activities**

The Town has a capital lease related to a lease purchase agreement for a John Deere tractor and boom mower. This lease purchase agreement runs from July of 2013 through September of 2016 with monthly payments of \$2,565 which includes interest at a rate of 2.50%. The gross amount of this tractor and boom mower recorded as a vehicle type capital asset is \$94,491. These items are being amortized over a 10 year period and the accumulated amortization (depreciation) taken as of June 30, 2016 was \$28,347. The total monthly payments on this lease for the next fiscal year is equal to approximately \$5,131. The amount of these payments representing interest is equal to approximately \$49 leaving the net present value of future minimum lease payments equaling \$5,082.

The Town has a capital lease related to a lease purchase agreement for a portion of the costs for a 2013 FDIC rescue truck. This lease purchase agreement runs from July of 2013 through July of 2018 with annual payments of \$52,629 which includes interest at a rate of 2.00%. The gross amount of this truck recorded as a vehicle type capital asset is \$511,000 which is made up of \$217,00 paid by the town and the \$294,000 capital lease. This item is being amortized over a 15 year period and the accumulated amortization (depreciation) taken as of June 30, 2016 was \$109,435. The total annual payments on this lease for the next three fiscal years is equal to approximately \$157,888. The amount of these payments representing interest is equal to approximately \$6,130 leaving the net present value of future minimum lease payments equaling \$151,758.

The Town has a capital lease related to a lease purchase agreement for a portion of the costs for a 2015 International truck. This lease purchase agreement runs from May of 2015 through April of 2018 with monthly payments of \$3,058 which includes interest at a rate of 3.25%. The gross amount of this truck recorded as a vehicle type capital asset is \$137,888 which is made up of \$33,000 paid by the town and the \$104,888 capital lease. This item is being amortized over a 10 year period and the accumulated amortization (depreciation) taken as of June 30, 2016 was \$17,235. The total monthly payments on this lease over the next two fiscal years are equal to approximately \$64,222. The amount of these payments representing interest is equal to approximately \$1,193 leaving the net present value of future minimum lease payments equaling \$63,029.

The Town has a capital lease related to a lease purchase agreement for a portion of the costs for a 2016 International truck. This lease purchase agreement runs from March of 2016 through February of 2019 with monthly payments of \$3,372 which includes interest at a rate of 2.50%. The gross amount of this truck recorded as a vehicle type capital asset is \$145,000 which is made up of \$30,000 paid by the town and the \$115,000 capital lease. This item is being amortized over a 10 year period and the accumulated amortization (depreciation) taken as of June 30, 2016 was \$10,875. The total monthly payments on this lease over the next three fiscal years are equal to approximately \$107,902. The amount of these payments representing interest is equal to approximately \$3,868 leaving the net present value of future minimum lease payments equaling \$104,034.

**Town of Lebanon, Connecticut**  
Notes to the basic financial statements  
June 30, 2016

**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 position. 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 position. 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, 2016, school accumulated sick balances totaled approximately \$358,111. 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.

**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, 2016 the amount outstanding for post-closure monitoring was \$42,631 which is shown as a long-term liability on the government-wide statement of net position. 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.

**Pension contribution payable and net pension liability**

Payables to a defined benefit pension plan include short-term payables for legally or contractually required contributions outstanding as of the end of the reporting period, as well as long-term payables, such as those arising from amounts assessed to an individual employer upon joining a multiple-employer pension plan. The currently reported pension contribution payable as recorded by the Town relates to assessments made upon joining the Connecticut Municipal Employees Retirement System. This payable is due in annual instalments of \$9,079 with two more annual installments outstanding. The net pension liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total pension liability), net of the pension plan's fiduciary net position. The pension plan's fiduciary net position is determined using the same valuation methods that are used by the pension plan for purposes of preparing its statement of fiduciary net position. The net pension liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period. Note 9 and 10 more fully describe the net pension liability of the Town as it relates to the both the Connecticut Teachers Retirement System and the Connecticut Municipal Employees Retirement System.

**Note 7 - Short-term debt**

The Town currently has an outstanding bond anticipation note which was issued on August 3, 2015 in the amount of \$2,240,000. This note is due on July 15, 2016 including interest at a rate of .69%. This note was used to finance costs related to the town bridge projects and is recorded as a current liability in both the government-wide financial statements and the fund financial statements.

**Note 8 - Interest expense**

The total interest expense incurred by the Town during the current fiscal year totaled \$205,787 and related to the long-term bonds, notes and capital leases payable and outstanding. The entire amount of interest expense incurred was charged to expense. For the governmental activities and funds of the town, \$83,839 was shown as a general fund line item and \$4,849 was shown in the Town capital funds relating to the capital leases of the town. For the business-type activities of the town, \$117,099 was shown as part of the WPCA benefit assessment proprietary fund.

**Town of Lebanon, Connecticut**  
Notes to the basic financial statements  
June 30, 2016

**Note 9 - Defined benefit pension plan**

*Connecticut Teachers' Retirement System*

**Plan description** - Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with pensions through the Connecticut State Teachers' Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Teachers Retirement Board. Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the Teachers Retirement Board. The Teachers Retirement Board issues a publicly available financial report that can be obtained at [www.ct.gov](http://www.ct.gov).

**Benefits provided** - The plan provides retirement, disability and death benefits. Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut. In relation to normal retirement, retirement benefits for employees are calculated as 2% of the average annual salary times the years of credited service (maximum benefit is 75% of average annual salary during the 3 years of highest salary). In addition, amounts derived from the accumulation of 1% contributions made prior to July 1, 1989 and voluntary contributions are payable. In relation to early retirement, employees are eligible after 25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service. Benefit amounts are reduced by 6% per year for the first 5 years preceding normal retirement age and 4%, per year for the next 5 years preceding the normal retirement age. Effective July 1, 1999, the reduction for individuals with 30 or more years of service is 3% per year as retirement precedes normal retirement date. In relation to disability retirement, employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required for non-service related disability eligibility. Disability benefits are calculated as 2% of average annual salary times credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary. In addition, disability benefits under this plan (without regard to cost-of-living adjustments) plus any initial award of social security benefits and workers' compensation cannot exceed 75% of average annual salary.

In relation to minimum benefits, effective January 1, 1999, Public Act 98-251 provides a minimum monthly retirement benefit of \$1,200 to teachers who retire under the Normal Benefit provisions and who have completed at least 25 years of full time Connecticut service at retirement. In relation to prorated benefits, A plan member who leaves service and has attained 10 years of service will be entitled to 100% of the accrued benefit as of the date of termination of covered employment. Benefits are payable at age 60 and early retirement reductions are based on the number of years of service the member would have had if they had continued to work until age 60. In relation to pre-retirement death benefits, the plan also offers a lump sum return of contribution with interest or surviving spouse benefit depending on the length of service.

**Contribution requirements** - Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are approved, amended and certified by the State Teachers Retirement Board and appropriated by the General Assembly. The statutes require the State of Connecticut to contribute 100% of each school districts' required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability. School District employers are not required to make contributions to the plan. Effective July 1, 1992, each teacher is required to contribute 6% of salary for the pension benefit.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions** - The Town reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows due to the statutory requirement that the State pay 100%, of the required contribution. The amounts recognized by the Town as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the Town were as follows. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. At June 30, 2016, the Town has no proportionate share of the net pension liability. For the year ended June 30, 2016, the Town recognized pension revenue and expense of \$1,917,092 as shown in Note 11 for on-behalf amounts for the benefits provided by the State.

Town's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the Town	21,730,557
Total	\$ 21,730,557

**Town of Lebanon, Connecticut**  
Notes to the basic financial statements  
June 30, 2016

**Actuarial assumptions** - The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement::

Inflation	3.00%
Salary increases	3.75% to 7.00%, including inflation
Investment rate of return	8.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table RP-2000 projected 19 years using scale AA, with a two-year setback for males and females for the period after service retirement and for dependent beneficiaries.

Future Cost-of-Living increases for members who retire on or after September 1, 1992 are assumed to receive an annual cost-of-living adjustment of 2%. For teachers who were members of the Teachers' Retirement System before July 1, 2007, and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%. For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for by Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1%.

**Long-term rate of return** - The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
Large cap U.S. equities	21.0%	5.8%
Developed non U.S. equities	18.0%	6.6%
Emerging markets (non U.S.)	9.0%	8.3%
Core fixed income	7.0%	1.3%
Inflation linked bond fund	3.0%	1.0%
Emerging markets bond fund	5.0%	3.7%
High yield bonds	5.0%	3.9%
Real estate	7.0%	5.1%
Private equity	11.0%	7.6%
Alternative investments	8.0%	4.1%
Liquidity fund	6.0%	0.4%
Total	100.0%	

**Discount rate** - The discount rate used to measure the total pension liability was 8.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined contribution rates in the future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Town of Lebanon, Connecticut**  
Notes to the basic financial statements  
June 30, 2016

**Sensitivity of the Town's proportionate share of the net pension liabilities to changes in the discount rate** - The Town's proportionate share of the net pension liability is \$0 and, therefore, the change in the discount rate would only impact the amount recorded by the State of Connecticut.

**Pension Plan Fiduciary Net Position** - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial statements available at [www.ct.gov](http://www.ct.gov).

**Other Information** - Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as the Town has no obligation to contribute to the plan.

**Note 10 - Employees' retirement plans**

*Connecticut Municipal Employees Retirement System*

**Plan description** - The Connecticut Municipal Employees Retirement System is a cost-sharing multiple-employer public employee retirement system established by the State of Connecticut and administered by the State Retirement Commission to provide pension benefits to employees of participating municipalities. Chapters 7-425 to 7-451 of the State of Connecticut General Statutes, which can be amended by legislative action, establishes plan benefits, member contribution rates and other plan provisions. The plan is considered to be part of the State of Connecticut's financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports can be obtained at [www.ct.gov](http://www.ct.gov).

Municipalities may designate which departments (including elective officers if so specified) are to be covered under the Connecticut Municipal Employees Retirement System. This designation may be the result of collective bargaining. Only employees covered under the State Teachers Retirement System may not be included. There are no minimum age or service requirements. Membership is mandatory for all regular full time employees of participating departments except Police and Fire hired after age 60. The plan is made up of the following four sub plans:

- General employees with social security
- General employees without social security
- Policemen and firemen with social security
- Policemen and firemen without social security

**Benefits provided** - The plan provides retirement, disability and death benefits. General employees are eligible to retire at age 55 with 5 years of continuous service, or 15 years of active aggregate service, or 25 years of aggregate service. The compulsory retirement age for police and fire members is age 65. In relation to normal retirement, for members not covered by social security, the benefit is 2% of average final compensation times years of service. For members covered by social security, the benefit is 1 ½ % of the average final compensation not in excess of the year's breakpoint plus 2% of average final compensation in excess of the year's breakpoint, times years of service. The maximum benefit is 100% of average final compensation and the minimum benefit is \$1,000 annually. Both the minimum and the maximum include workers' compensation and social security benefits. If any member covered by social security retires before age 62, the benefit until age 62 is reached or a social security disability award is received, the benefit is computed as if the member is not under social security. In relation to early retirement, employees are eligible after 5 years of continuous or 15 years of active aggregate service. The benefit is calculated on the basis of average final compensation and service to date of termination. Benefits are deferred to the normal retirement age, or an actuarially reduced allowance may begin at the time of separation. In relation to disability retirement, employees are eligible for service-related disability benefits from being permanently or totally disabled from engaging in the service of the municipality provided such disability has arisen out of and in the course of employment with the municipality. Disability due to hypertension or heart disease, in the case of firemen and policemen, is presumed to have been suffered in the line of duty. Disability benefits are calculated based on compensation and service to the date of the disability with a minimum benefit (including workers' compensation benefits) of 50% of compensation at the time of disability. Employees are eligible for non-service-related disability benefits with 10 years of service and being permanently or totally disabled from engaging in gainful employment in the service of the municipality. Disability benefits are calculated based on compensation and service to the date of the disability. In relation to pre-retirement death benefits, the plan offers a lump sum return of contributions with interest or surviving spouse benefit depending on length of service.

**Town of Lebanon, Connecticut**  
Notes to the basic financial statements  
June 30, 2016

**Contribution requirements** - Participating municipalities make annual contributions consisting of a normal cost contribution, a contribution for the amortization of the net unfunded accrued liability and a prior service amortization payment which covers the liabilities of the system not met by member contributions. Employees not covered by social security are required to contribute 5% of their compensation. Employees covered by social security are required to contribute 2 1/4% of their compensation up to the social security taxable wage base plus 5% of compensation, if any, in excess of such base.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions** - At June 30, 2016, the Town is reporting a liability of \$656,951 for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation at that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participants, actuarially determined. At June 30, 2016, the Town's proportion was .479839 percent. There was no change in the proportional share as compared to the prior year. The Town's proportionate share of the total net pension liability is as follows:

For the year ended June 30, 2016, the Town recognized pension expense, including the amortization of and changes in deferred inflow and outflow amounts, of (\$207,905). At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Changes in proportional share of employer	-	-
Net difference between projected and actual earnings on Plan investments	49,861	-
Contributions subsequent to the measurement date	128,520	-
Total	\$ 178,381	\$ -

The \$128,520 of deferred outflows of resources resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ended June 30:

2017	\$ 2,588
2018	2,588
2019	2,588
2020	42,097
	\$ 49,861

**Actuarial assumptions** - The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement::

Inflation	3.25%
Salary increases	4.25% to 11.00%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for annuitants and non-annuitants with a one-year set forward for males and a one-year set back for females. The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2005 - June 30, 2010. Future Cost-of-Living adjustments for members who retire on or after January 1, 2002 are 60% of the annual increase in the CPI up to 6%. The minimum annual COLA is 2.5% and the maximum is 6%.

**Town of Lebanon, Connecticut**  
Notes to the basic financial statements  
June 30, 2016

**Long-term rate of return** - The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
Large cap U.S. equities	16.0%	5.8%
Developed non U.S. equities	14.0%	6.6%
Emerging markets (non U.S.)	7.0%	8.3%
Core fixed income	8.0%	1.3%
Inflation linked bond fund	5.0%	1.0%
Emerging markets bond fund	8.0%	3.7%
High yield bonds	14.0%	3.9%
Real estate	7.0%	5.1%
Private equity	10.0%	7.6%
Alternative investments	8.0%	4.1%
Liquidity fund	3.0%	0.4%
Total	<u>100.0%</u>	

**Discount rate** - The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Town's proportionate share of the net pension liabilities to changes in the discount rate** - The following presents the Town's proportionate share of the net pension liability, calculated using the discount rate of 8.00%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.00%) or 1 percentage point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current discount rate (8.00%)	1% Increase (9.00%)
Town's proportionate share of the net pension liability	<u>\$ 1,182,714</u>	<u>\$ 656,951</u>	<u>\$ 211,502</u>

**Pension Plan Fiduciary Net Position** - Detailed information about the Connecticut Municipal Employees Retirement System plan's fiduciary net position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report as of and for the year ended June 30, 2015 available at [www.ct.gov](http://www.ct.gov). For the fiscal year ended June 30, 2015, the fiduciary net position of the plan was restated by the Auditors of Public Accounts to include the gross amount of contributions receivable as of July 1, 2014. The result of the restatement was to increase the July 1, 2014 fiduciary net position from the amount reported in the prior year audited financial statements by \$139,565,000. As a result, a prior period adjustment of the June 30, 2014 net pension liability by employer was necessary.

**Other Information** - Additional information is included in the required supplementary information section of the financial statements.

**Town of Lebanon, Connecticut**  
Notes to the basic financial statements  
June 30, 2016

**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, 2016. 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, 2016, the Lebanon Board of Education's total covered payroll was approximately \$7,847,286 and the applicable on-behalf payment percentage or appropriation for the period was 24.43%. 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 \$1,917,092 and an education expenditure of \$1,917,092 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 \$1,917,092 and an expense in the governmental activities section under a separate education function line item of \$1,917,092 have been included on Statement B of the government-wide financial statements. There is no effect on the net position balance at the end of the fiscal year. The State appropriation percentage of 24.43% compares to 25.60% during the prior fiscal year and the on-behalf appropriation of \$1,917,092 compares to \$1,947,648 during the prior fiscal year.

**Note 12 - Other Post Employment Benefits - OPEB**

Government accounting standards board (GASB) Statement No.'s 43 and 45 relate to the accounting and reporting for post-employment benefits other than pension benefits. The Town was required to implement this standard for the fiscal year beginning after December 15, 2007 which was 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. 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 therefore would be amended through the action of these same groups. These benefits will continue for the life of the retiree and the retiree's 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.

**Town of Lebanon, Connecticut**  
Notes to the basic financial statements  
June 30, 2016

**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.

**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, 2016 are as follows.

Annual required contribution	\$	221,300
Interest on net OPEB obligation		60,000
Adjustment to annual required contribution		-90,100
Annual OPEB Cost		191,200
Contributions made		-71,100
Increase in Net OPEB Obligation		120,100
Net OPEB Obligation as of June 30, 2015 (B)		1,715,200
Net OPEB Obligation as of June 30, 2016	\$	1,835,300

**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	07/01/14
Actuarial cost method	Projected unit credit
Amortization method	30 years, level dollar, open
Asset valuation method	None
Actuarial assumptions	
Interest	3.50%
Inflation	N/A
Projected salary increases	N/A
Healthcare inflation rate	8.50% for 2014, decreasing .50% per year, to an ultimate rate of 5.00% for 2021 and later

**Town of Lebanon, Connecticut**  
Notes to the basic financial statements  
June 30, 2016

**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 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	51%
07/01/10	\$ -	\$ 5,448,000	\$ 5,448,000	0.00%	\$ 10,213,000	53%
07/01/12	\$ -	\$ 3,815,000	\$ 3,815,000	0.00%	\$ 9,120,600	42%
07/01/14	\$ -	\$ 2,779,300	\$ 2,779,300	0.00%	\$ 9,302,000	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 required contribution (ARC)	Actual contributions	Percentage of AOC contributed	Net OPEB Obligation (NOO)
06/30/12	\$ 468,000	\$ 107,700	23%	\$ 1,199,900
06/30/13	\$ 323,900	\$ 99,600	31%	\$ 1,405,500
06/30/14	\$ 328,100	\$ 101,300	31%	\$ 1,610,300
06/30/15	\$ 218,900	\$ 85,800	39%	\$ 1,715,200
06/30/16	\$ 221,300	\$ 71,100	32%	\$ 1,835,300

**Note 13 - Net position balances - net investment in capital assets**

The net investment in capital assets net position balance on the government-wide statement of net position consisted of the following items as of June 30, 2016 for the primary government of the town as well as the discretely presented component unit of the town. The business-type activities balances shown below can also be found within the fund financial statements on the proprietary funds statement of net position.

	Primary government			Component unit
	Governmental activities	Business-type activities	Total	Volunteer fire department
Recorded value of capital assets	\$ 73,520,499	\$ 6,503,574	\$ 80,024,073	\$ 330,307
Less accumulated depreciation	-38,920,367	-260,143	-39,180,510	-216,586
Book value of capital assets	34,600,132	6,243,431	40,843,563	113,721
Less capital assets related debt	-2,282,455	-4,610,521	-6,892,976	-
	<u>\$ 32,317,677</u>	<u>\$ 1,632,910</u>	<u>\$ 33,950,587</u>	<u>\$ 113,721</u>

**Town of Lebanon, Connecticut**  
Notes to the basic financial statements  
June 30, 2016

**Note 14 - Net position 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 position balance in the government-wide financial statements and the restricted fund balance in the fund financial statements. The residual of this fund is accounted for as restricted net position and fund balance as the Town feels that the recorded revenue has been earned and is both measurable and available to pay all applicable current liabilities of the program fund. As of June 30, 2016, the following balances represent the loan fund described above.

Cash and restricted cash	\$	16,128
Due from other funds		-
Notes receivable (net of allowance)		798,230
Restricted net position and restricted fund balance		-814,358
	<u>\$</u>	<u>-</u>

**Note 15 - Deficit fund balances**

In accordance with GAAP, all deficit fund balances and their nature must be disclosed. As of June 30, 2016, the town capital funds major fund included two individual project cost centers with deficit fund balances. The town library project fund 243 had a deficit fund balance of (\$75,783) and the town bridge projects fund 244 had a deficit fund balance of (\$71,859). The town library project is expected to be financed during an upcoming fiscal year with long-term bonds. The town bridge projects are currently being funded with a short-term bond anticipation note but are also expected to be financed during an upcoming fiscal year with long-term bonds. As of June 30, 2016 the town non-major special revenue funds included four individual grants with deficit fund balances. A town planning and survey grant had a deficit of (\$1), a prior fiscal year school equipment grant had a deficit fund balance of (\$27,749), the current fiscal year Title I grant had a deficit fund balance of (\$13) and the current fiscal year Local Entitlement grant had a deficit fund balance of (\$3,455). The prior fiscal year school equipment grant deficit fund balance has been approved to be transferred to the town general fund balance in the upcoming fiscal year. The three remaining grant deficit fund balances are expected to be absorbed by future grant or miscellaneous revenues.

**Note 16 - Commitments and contingencies - Operating leases**

The Town and Board of Education of the Town lease a number of photocopiers under lease agreements which are classified as operating leases. For these leases to be classified as capital leases they 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. The first lease agreement for the school is for a period of five years through June of 2018 with monthly payments of \$2,219 which equals annual payments of \$26,628. The second lease agreement for the school is for a period of five years through September of 2020 with monthly payments of \$1,165 which equals annual payments of \$13,980. The first lease agreement for the town is for a period of one year through April of 2017 with monthly payments of \$314 which equals annual payments of \$3,768. The second lease agreement for the town is for a period of five years through April of 2018 with monthly payments of \$208 which equals annual payments of \$2,496. The third lease agreement for the town is for a period of five years through July of 2020 with monthly payments of \$210 which equals annual payments of \$2,520. The Town and the Board of Education have a number of other immaterial operating type lease agreements which have not been included here.

**Town of Lebanon, Connecticut**  
Notes to the basic financial statements  
June 30, 2016

**Note 17 - 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 is a member in the Connecticut Inter-local Risk Management Agency (CIRMA), a public entity risk management program pursuant to the provisions of Section 7-479a of the Connecticut General Statutes for workers compensation pool coverage. The Town pays annual premiums for its coverage. CIRMA is designed to be self-sustaining through member premium's, however it does reinsure for each claim occurrence in excess of \$1,000,000. Members may be subject to supplemental assessments in the event of fund deficiencies, however, these potential supplemental assessments are limited pursuant to its by-laws. 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. Town management and legal counsel are unaware of any litigation, pending litigation, claims or disputes that would have a direct and material affect on the Town's financial position.

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, 2016 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.

The Board of Education has entered into a number of maintenance and service agreements which extend beyond the end of the current fiscal year. The Board entered into a three year contract for a working facilities manager and a general maintenance technician through June 30, 2017 at annual costs of \$252,534, \$255,066 and \$257,616, respectively. The Board entered into a three year preventative maintenance program agreement through June 30, 2018 at annual costs of \$16,548, \$17,040 and \$17,040, respectively. The Board entered into a three year boiler full service maintenance program agreement through June 30, 2018 at annual costs of \$13,352, \$13,752 and \$13,752, respectively. The Board entered into a one year facilities management system, system support services and temperature control agreement through June 30, 2017 at a cost of \$17,568. The Board entered into a three year athletic training services agreement through June 30, 2019 at an annual cost of \$18,900. The Board entered into three year refuse and recycling agreements relating to each of the three schools at a combined annual base cost of \$24,179. The Board of Education entered into a bus transportation agreement 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 includes both type I and type II buses as outlined in the agreement and runs from July 1, 2013 through June 30, 2018. Payment terms are based on specific daily and hourly rates for regular route hours and trips and non-route hours and trips, however, the base annual contact amounts included in the agreement are \$733,658, \$757,418, \$777,557, \$797,990 and \$820,159, respectively. The Town has entered into a ten month managed support services and monitoring licenses agreement at a cost of \$12,050. The agreement also includes remediation projects costs not to exceed \$5,280. The Board of Selectmen of the Town voted to award the 16-17 snow and ice control contract in an amount of \$69,900. The Town entered into a twenty month maintenance of public buildings contract cleaning contract through June 30, 2017 at a total cost of \$37,840. The Town and Board of Education have a number of other smaller contracts and maintenance and service agreements. These agreements are considered individually immaterial. Additional information on these contracts and other agreements can be found at the administrative offices of both the Town and the Board of Education.

**Note 18 - Subsequent events**

The Town has evaluated subsequent events through February 8, 2017, the date to which the financial statements were available to be issued. The Town entered into a capital lease purchase agreement as dated November 2, 2016 to purchase a 2016 Cat backhoe loader. The lease purchase agreement calls for 32 monthly payments of \$2,683 for a total amount of \$85,841 with the principal portion of these payments equaling \$81,823 and the interest portion equaling \$4,018 at a rate of 3.75%. The Town entered into a bond anticipation note agreement dated July 15, 2016 to provide interim funding for town road and bridge projects. The amount of the note is \$2,240,000 with a maturity date of July 13, 2017 with interest at a rate of 1.19%.

**Town of Lebanon, Connecticut**  
Notes to the basic financial statements  
June 30, 2016

**Note 19 - Reclassifications, restatements and prior period adjustments**

A number of reclassifications, restatements and prior period adjustments have been applied to the Town's ending financial statement balances as of June 30, 2015. In the prior fiscal years fund financial statements, the ending general fund balance was \$3,952,479. A number of adjustments were applied to this balance. They included reclassifying Fema storm expenditures to the Fema storm special revenue fund in the amount of \$44,333, reclassifying a current fiscal year school tuition receipt as prior fiscal year revenue as it was a prior fiscal year receivable in the amount of \$6,926, reclassifying prior fiscal year processed tax refunds to the liability account used to keep track of refunds issued versus refunds paid in the amount of (\$12,481), eliminating an outstanding deposit which was included on the town deposit account relating to taxes which was not actually outstanding in the amount of \$14,401, reclassifying an invoice paid during the current fiscal year which represented a prior fiscal year accounts payable in the amount of (\$2,971), reclassifying a current fiscal year school grants receipt which related to prior fiscal year school expenditures in the amount of \$3,608, adjusting the ending balance within the school medical and life insurance withholding accounts to the actual balance based on subsequent activity in the amount of (\$37,030), adjusting the amount of school expenditures posted to the prior fiscal year by the town to match the amount posted by the school in the amount of (\$7,138), adjusting the tax collector clearing account to the actual balance in the amount of (\$1,145), eliminating a negative school payroll cash account for which the actual bank account had already been closed in the amount of \$2,280, reclassifying an old town grant balance to the general fund in the amount of \$1,040, eliminating the amount of recorded interest receivable value for delinquent taxes as it more accurately meets the susceptible to accrual parameters for inclusion on the government-wide financial statements than the fund financial statements in the amount of (\$12,615), adjusting the ending balance of the town medical withholding liability account as the account is designed to zero out by the end of the fiscal year in the amount of \$2,542 and to correct the posting of an expenditure reclassified from the town improvement fund into the general fund in the amount of (\$3,220). In addition, a number of smaller adjustments were applied to the general fund balance in the net amount of \$2,218. The net amount of these prior period adjustments is an increase in the amount of \$748 when applied to the prior fiscal year ending general fund balance amount of \$3,952,479 equals the adjusted ending general fund balance amount of \$3,953,227.

In the prior fiscal years fund financial statements, the ending Trumbull investments fund balance was \$2,582,759. An adjustment was applied to this balance as the related investment account balance was previously recorded using the statement ending balance as of June 27, 2015. The requested activity statement ending June 30, 2015 reflected a decrease in the fair market value of the related investments in the amount of (\$32,737) when applied to the prior fiscal year ending Trumbull investments fund balance of \$2,582,759 equals the adjusted ending Trumbull investments fund balance of \$2,550,022.

In the prior fiscal years fund financial statements, the town capital non-recurring fund was shown individually as a major fund and the residual of previously recorded major town construction projects were reclassified as non-major capital project funds. These funds were reclassified for the current fiscal years financial statements into a town capital fund which is used to account for major town capital purchases and construction projects. The prior fiscal year fund balance of this reclassified town capital fund was \$1,061,629. An adjustment was applied to this balance as it related to town capital lease payments which were made during the month of June but for which the statement showed them as not being due until July. These payments were classified in the prior fiscal year financial statements as prepaid expenditures. As capital leases have an outstanding balance due until they are fully paid off any payment made against them would meet the modified accrual basis of accounting definition of an expenditure and therefore should be shown as such. This prior period adjustment is a decrease in the amount of (\$58,252) when applied to the prior fiscal year ending town capital funds balance of \$1,061,629 equals and adjusted ending town capital funds balance of \$1,003,377.

In the prior fiscal years fund financial statements, the ending small cities programs fund balance was \$17,641. This balance represented the difference between the ending cash balance of the fund and the ending accounts payable balance of the fund. The ending notes receivable asset balance of the fund was offset by a deferred revenue liability account of the fund rather than being recognized as a restricted portion of fund balance. Under the modified accrual basis of accounting revenues are recognized when they are both measurable and available to pay current liabilities. As this is a revolving loan fund there are no current liabilities except when a prior outstanding loan is repaid. As such, the portion of the restricted fund balance offset by cash and that offset by notes receivable are measurable and available to pay all applicable current liabilities and thus should be recognized. As a result the prior fiscal year ending small cities programs fund balance amount of \$17,641 was increased by \$856,757 for an adjusted balance of \$874,398 to both recognize the current value of the outstanding notes receivable but also to adjust the recorded notes receivable balance to that provided and verified by the grant administrator. The prior fiscal year ending recorded notes receivable balance was \$917,367. This balance was adjusted to match the provided and verified balance of \$856,757 which is the amount of the prior period adjustment.

In the prior fiscal years fund financial statements, the ending non-major governmental funds balance was \$1,628,137. A number of miscellaneous adjustments were made to the individual non-major special revenue funds and permanent funds resulting in an increase in the recorded balance of \$29,697 for an adjusted balance of \$1,657,834.

**Town of Lebanon, Connecticut**  
Notes to the basic financial statements  
June 30, 2016

In the prior fiscal years financial statements, the proprietary fund WPCA operating net position balance was \$233,500. A number of adjustments were applied to this balance. They included adjusting the recorded deferred revenue balance relating to collected user fee billings not due until the upcoming fiscal year in the amount of \$16,089, adjusting the amount of the recorded user fee billings accounts receivable balance to actual in the amount of \$1,688, adjusting for user fee refunds paid and posted to the general fund which should have been posted to the user fee fund in the amount of (\$1,933) and other miscellaneous adjustments in the amount of \$443. The net amount of these prior period adjustments is an increase in the amount of \$16,287 when applied to the prior fiscal year ending WPCA operating net position balance amount of \$233,500 equals the adjusted ending net position balance amount of \$249,787. The proprietary fund WPCA assessment net position balance was \$6,328,973. A number of adjustments were applied to this balance. They included adjusting the recorded deferred revenue balance relating to the advance payment of borrowed interest in the amount of \$24,621, adjusting for assessment fund refunds paid and posted to the general fund which should have been posted to the assessment fund in the amount of (\$1,863), adjusting the amount of the recorded borrowed interest accounts receivable balance in the amount of \$3,334, adjusting the principal and interest mix on the annual debt service payment in the amount of \$2,457 and other miscellaneous adjustments in the amount of \$2,537. The net amount of these prior period adjustments is an increase in the amount of \$31,086 when applied to the prior fiscal year ending WPCA assessment net position balance amount of \$6,328,973 equals the adjusted ending net position balance amount of \$6,360,059. The net amount of these adjustments to the operating and assessment funds in the amount of \$47,373 are also reflected on the government-wide statement of net position for the business-type activities of the Town.

In the prior fiscal years financial statements, the proprietary fund internal service dental fund net position balance was \$35,372. An adjustment in the amount of \$16,950 was applied to this balance to record the twelfth monthly contribution payments from the town and the school which were recorded as accounts payable balances within the general fund but for which the actual deposit was not made until the new fiscal year. When this adjustment is applied to the prior fiscal year ending internal service dental fund net position balance amount of \$35,372 it equals the adjusted ending net position balance amount of \$52,322.

In the prior fiscal years fund financial statements the fiduciary funds private purpose trust funds net position balance was \$81,378. An adjustment in the amount of (\$1,250) was applied to this balance to reflect certain prior fiscal year individual trust fund activity not reflected in the financial statements. When this adjustment is applied to the prior fiscal year ending private purpose trust funds net position balance amount of \$81,378 it equals the adjusted ending net position balance amount of \$80,128.

In the prior fiscal years government-wide financial statements, the ending governmental activities net position balance was \$40,144,880. A number of the above adjustments were applied to this balance. In addition, the net pension liability balance as provided by the State of Connecticut was adjusted and reduced by \$27,868, a pension contribution payable was recorded in the amount (\$27,237) as required by GASB Statement No. 68, the recorded amount of the other postemployment benefits liability was adjusted and reduced by \$160,973 to match the provided actuarial disclosure report and the recorded capital lease payable balances were adjusted and increased by (\$97,050) to match the amortization schedules provided by the town utilized financial institution. The net amount of the aforementioned prior period adjustments is a decrease in the amount of (\$79,532) when applied to the prior fiscal year ending governmental activities net position balance amount of \$40,144,880 equals the adjusted ending governmental activities net position balance amount of \$40,065,348.

In the prior fiscal years government-wide financial statements, the ending discretely presented component unit net position balance was \$744,236. A number of miscellaneous prior period adjustments were applied to this balance in the amount of \$1,555 which when applied to the prior fiscal year balance equals the adjusted balance of \$745,791.

**Note 20 - Recently issued accounting standards**

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*. This statement establishes new accounting and financial reporting requirements for OPEB plans included in the general purpose external financial reports of state and local governmental OPEB plans and replaces the requirements of GASB Statements No. 43, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*, as amended, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2016.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. This statement establishes new accounting and financial reporting requirements for OPEB plans and replaces the requirements of GASB Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The requirements of this Statement are effective for fiscal years beginning after June 15, 2017.

**Town of Lebanon, Connecticut**  
Schedule of Town's proportionate share of the net pension liability  
Connecticut Teachers' Retirement System  
Last ten fiscal years (for all years available)

	2016	2015
Town's proportion of the net pension liability	0.198054%	0.165765%
Town's proportionate share of the net pension liability	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Town	21,730,557	20,085,545
Total	\$ 21,730,557	\$ 20,085,545
Town's covered-employee payroll	\$ 7,847,286	\$ 7,608,000
Town's proportion share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	59.50%	61.51%

**Notes to schedule:**

Changes in benefit terms and assumptions:

There were no changes in benefit terms. In 2011, rates of withdrawal, retirement and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five year period ended June 30, 2010.

Methods and assumptions used in calculations of actuarial determined contributions:

The actuarially determined contributions in the schedule of employer contributions are calculated as of June 30 each biennium for the fiscal years ending two and three years after the valuation date. The following actuarial methods and assumptions were used to determine the most recent contributions reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percent of pay, closed
Single equivalent amortization period	22.4 years
Asset valuation method	4-year smoothed market
Investment rate of return	8.5% net of pension plan investment expense,
Salary increases	3.75% - 7.00%, including inflation
Inflation	3.00%

**Town of Lebanon, Connecticut**  
Schedule of Town's proportionate share of the net pension liability  
Connecticut Municipal Employees Retirement System  
Last ten fiscal years (for all years available)

	2016	2015
Town's proportion of the net pension liability	0.479839%	0.479839%
Town's proportionate share of the net pension liability	\$ 656,951	\$ 465,732
Town's covered-employee payroll	\$ 1,064,789	\$ 1,064,789
Town's proportion share of the net pension liability as a percentage of its covered-employee payroll	61.70%	43.74%
Plan fiduciary net position as a percentage of the total pension liability	92.72%	90.48%

**Notes to schedule:**

Changes in benefit terms and assumptions:

There were no changes in benefit terms. In 2013, rates of mortality, withdrawal, retirement and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five year period ended June 30, 2010.

Methods and assumptions used in calculations of actuarial determined contributions:

The actuarially determined contributions in the schedule of employer contributions are calculated as of June 30 each biennium for the fiscal years ending two and three years after the valuation date. The following actuarial methods and assumptions were used to determine the most recent contributions reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	25 years
Asset valuation method	5-year smoothed market
Investment rate of return	8.00% net of pension plan investment expense, including inflation
Salary increases	4.25% - 11.00%, including inflation
Inflation	3.25%

**Town of Lebanon, Connecticut**  
 Schedule of Town contributions  
 Connecticut Municipal Employees Retirement System  
 Last ten fiscal years (for all years available)

	2016	2015
Contractually required contribution	\$ 128,520	\$ 134,319
Contributions in relation to the contractually required contribution	-128,520	-134,319
Contribution deficiency (excess)	\$ -	\$ -
Town's covered-employee payroll	\$ 1,064,789	\$ 1,064,789
Contributions as a percentage of covered-employee payroll	12.07%	12.61%

**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, 2016

	Non-major special revenue funds	Non-major capital project funds	Non-major permanent funds	Totals
<b>Assets</b>				
Cash	\$ 467,064	\$ -	\$ 7,564	\$ 474,628
Investments	14,198	-	345,872	360,070
Receivables	30,686	-	-	30,686
Inventory and prepaids	17,485	-	-	17,485
Due from other funds	931,188	60,533	3,481	995,202
Total assets	<u>1,460,621</u>	<u>60,533</u>	<u>356,917</u>	<u>1,878,071</u>
<b>Liabilities</b>				
Accrued liabilities	70,538	-	-	70,538
Other liabilities	900	-	-	900
Due to other funds	288,499	-	1,666	290,165
Total liabilities	<u>359,937</u>	<u>-</u>	<u>1,666</u>	<u>361,603</u>
<b>Fund balance</b>				
Nonspendable	17,485	-	322,272	339,757
Restricted	425,673	-	32,979	458,652
Committed	453,056	60,533	-	513,589
Assigned	235,688	-	-	235,688
Unassigned	-31,218	-	-	-31,218
Total fund balance	<u>1,100,684</u>	<u>60,533</u>	<u>355,251</u>	<u>1,516,468</u>
Total liabilities and fund balance	<u>\$ 1,460,621</u>	<u>\$ 60,533</u>	<u>\$ 356,917</u>	<u>\$ 1,878,071</u>
<b>Revenues</b>				
Intergovernmental revenues	\$ 1,051,635	\$ -	\$ -	\$ 1,051,635
Interest and investment earnings	1,863	-	39,501	41,364
Charges for services	273,998	-	-	273,998
Miscellaneous	149,161	54	-	149,215
Total revenues	<u>1,476,657</u>	<u>54</u>	<u>39,501</u>	<u>1,516,212</u>
<b>Expenditures</b>				
Salary and wages	814,675	-	-	814,675
Program operating costs	1,383,153	129	8,585	1,391,867
Capital expenditures	44,445	-	-	44,445
Total expenditures	<u>2,242,273</u>	<u>129</u>	<u>8,585</u>	<u>2,250,987</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-765,616</u>	<u>-75</u>	<u>30,916</u>	<u>-734,775</u>
<b>Other financing sources (uses)</b>				
Transfers in	561,344	32,979	-	594,323
Transfers out	-	-	-914	-914
Total other financing sources (uses)	<u>561,344</u>	<u>32,979</u>	<u>-914</u>	<u>593,409</u>
Net change in fund balance	-204,272	32,904	30,002	-141,366
<b>Fund balance - July 1</b>	<u>1,304,956</u>	<u>27,629</u>	<u>325,249</u>	<u>1,657,834</u>
<b>Fund balance - June 30</b>	<u>\$ 1,100,684</u>	<u>\$ 60,533</u>	<u>\$ 355,251</u>	<u>\$ 1,516,468</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, 2016

	Lebanon public library fund - 213	Krause library donation fund - 213	Lebanon recreation commission fund - 206	Jonathan Trumbull Jr. house fund - 215	Adams community center fund - 204
<b>Assets</b>					
Cash	\$ -	\$ -	\$ 4,841	\$ 39,858	\$ -
Investments	-	-	-	-	-
Receivables	-	-	-	-	-
Inventory and prepaids	-	-	-	-	-
Due from other funds	164,468	10,000	55,297	-	50,129
Total assets	164,468	10,000	60,138	39,858	50,129
<b>Liabilities</b>					
Accrued liabilities	12,589	-	5,991	296	773
Other liabilities	900	-	-	-	-
Due to other funds	-	-	-	4,272	-
Total liabilities	13,489	-	5,991	4,568	773
<b>Fund balance</b>					
Nonspendable	-	-	-	-	-
Restricted	-	10,000	-	-	-
Committed	150,979	-	54,147	35,290	49,356
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balance	150,979	10,000	54,147	35,290	49,356
Total liabilities and fund balance	\$ 164,468	\$ 10,000	\$ 60,138	\$ 39,858	\$ 50,129
<b>Revenues</b>					
Intergovernmental revenues	\$ 2,798	\$ -	\$ -	\$ -	\$ -
Interest and investment earnings	-	-	-	160	-
Charges for services	-	-	39,645	-	2,050
Miscellaneous	8,905	-	8,000	2,408	-
Total revenues	11,703	-	47,645	2,568	2,050
<b>Expenditures</b>					
Salary and wages	185,840	-	41,831	5,025	-
Program operating costs	117,845	-	57,090	12,984	28,299
Capital expenditures	-	-	-	-	-
Total expenditures	303,685	-	98,921	18,009	28,299
Excess (deficiency) of revenues over (under) expenditures	-291,982	-	-51,276	-15,441	-26,249
<b>Other financing sources (uses)</b>					
Transfers in	308,772	-	54,600	15,797	23,640
Transfers out	-	-	-	-	-
Total other financing sources (uses)	308,772	-	54,600	15,797	23,640
Net change in fund balance	16,790	-	3,324	356	-2,609
<b>Fund balance - July 1</b>	134,189	10,000	50,823	34,934	51,965
<b>Fund balance - June 30</b>	\$ 150,979	\$ 10,000	\$ 54,147	\$ 35,290	\$ 49,356

**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, 2016

	Town improvement program fund - 208	Senior vans program fund - 221	Lathrop senior vans donation fund - 231	Lebanon dog fund fund - 205	Trumbull donations fund - 218
<b>Assets</b>					
Cash	\$ -	\$ 210	\$ -	\$ -	\$ -
Investments	-	-	2,840	-	-
Receivables	-	8,149	-	-	-
Inventory and prepaids	-	-	-	-	-
Due from other funds	59,800	96,888	36	9,907	245,584
Total assets	<u>59,800</u>	<u>105,247</u>	<u>2,876</u>	<u>9,907</u>	<u>245,584</u>
<b>Liabilities</b>					
Accrued liabilities	-	1,763	-	128	5,451
Other liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>1,763</u>	<u>-</u>	<u>128</u>	<u>5,451</u>
<b>Fund balance</b>					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	240,133
Committed	59,800	103,484	-	-	-
Assigned	-	-	2,876	9,779	-
Unassigned	-	-	-	-	-
Total fund balance	<u>59,800</u>	<u>103,484</u>	<u>2,876</u>	<u>9,779</u>	<u>240,133</u>
Total liabilities and fund balance	<u>\$ 59,800</u>	<u>\$ 105,247</u>	<u>\$ 2,876</u>	<u>\$ 9,907</u>	<u>\$ 245,584</u>
<b>Revenues</b>					
Intergovernmental revenues	\$ -	\$ 32,597	\$ -	\$ -	\$ -
Interest and investment earnings	-	-	296	-	-
Charges for services	-	6,104	-	2,582	-
Miscellaneous	-	-	2,580	7,719	14,280
Total revenues	<u>-</u>	<u>38,701</u>	<u>2,876</u>	<u>10,301</u>	<u>14,280</u>
<b>Expenditures</b>					
Salary and wages	-	71,384	-	-	-
Program operating costs	22,248	51,009	-	29,916	39,136
Capital expenditures	44,445	-	-	-	-
Total expenditures	<u>66,693</u>	<u>122,393</u>	<u>-</u>	<u>29,916</u>	<u>39,136</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-66,693</u>	<u>-83,692</u>	<u>2,876</u>	<u>-19,615</u>	<u>-24,856</u>
<b>Other financing sources (uses)</b>					
Transfers in	75,000	62,045	-	21,490	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>75,000</u>	<u>62,045</u>	<u>-</u>	<u>21,490</u>	<u>-</u>
Net change in fund balance	8,307	-21,647	2,876	1,875	-24,856
<b>Fund balance - July 1</b>	<u>51,493</u>	<u>125,131</u>	<u>-</u>	<u>7,904</u>	<u>264,989</u>
<b>Fund balance - June 30</b>	<u>\$ 59,800</u>	<u>\$ 103,484</u>	<u>\$ 2,876</u>	<u>\$ 9,779</u>	<u>\$ 240,133</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, 2016

	School lunch program n/a	Town clerk historic document fees account - 2214	Town clerk mers document fees account - 2214	Town clerk locip surcharge account - 2215	Survey planning and tourism grant fund - 214
<b>Assets</b>					
Cash	\$ 34,912	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Receivables	16,768	-	-	-	-
Inventory and prepaids	15,985	-	-	-	-
Due from other funds	155	19,722	2,790	46,945	-
Total assets	67,820	19,722	2,790	46,945	-
<b>Liabilities</b>					
Accrued liabilities	40,638	-	-	-	-
Other liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	1
Total liabilities	40,638	-	-	-	1
<b>Fund balance</b>					
Nonspendable	15,985	-	-	-	-
Restricted	-	19,722	2,790	46,945	-
Committed	-	-	-	-	-
Assigned	11,197	-	-	-	-
Unassigned	-	-	-	-	-1
Total fund balance	27,182	19,722	2,790	46,945	-1
Total liabilities and fund balance	\$ 67,820	\$ 19,722	\$ 2,790	\$ 46,945	\$ -
<b>Revenues</b>					
Intergovernmental revenues	\$ 125,228	\$ 3,000	\$ -	\$ -	\$ -
Interest and investment earnings	28	-	-	-	-
Charges for services	210,500	2,059	1,020	2,982	-
Miscellaneous	-	-	-	-	-
Total revenues	335,756	5,059	1,020	2,982	-
<b>Expenditures</b>					
Salary and wages	-	-	-	-	-
Program operating costs	352,174	3,945	-	-	-
Capital expenditures	-	-	-	-	-
Total expenditures	352,174	3,945	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-16,418	1,114	1,020	2,982	-
<b>Other financing sources (uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	-16,418	1,114	1,020	2,982	-
<b>Fund balance - July 1</b>	43,600	18,608	1,770	43,963	-1
<b>Fund balance - June 30</b>	\$ 27,182	\$ 19,722	\$ 2,790	\$ 46,945	\$ -1

**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, 2016

	Unimproved town roads grant fund - 207	Agriculture viability grant account - 2217	Emergency management grants fund - 228	Fema storm grants fund - 228	Equipment training grant account - 2307
<b>Assets</b>					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Receivables	-	-	-	-	-
Inventory and prepaids	-	-	-	-	-
Due from other funds	4,536	-	-	68,750	-
Total assets	4,536	-	-	68,750	-
<b>Liabilities</b>					
Accrued liabilities	448	-	-	-	-
Other liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	448	-	-	-	-
<b>Fund balance</b>					
Nonspendable	-	-	-	-	-
Restricted	4,088	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	68,750	-
Unassigned	-	-	-	-	-
Total fund balance	4,088	-	-	68,750	-
Total liabilities and fund balance	\$ 4,536	\$ -	\$ -	\$ 68,750	\$ -
<b>Revenues</b>					
Intergovernmental revenues	\$ -	\$ 13,741	\$ -	\$ -	\$ -
Interest and investment earnings	-	-	-	-	-
Charges for services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	-	13,741	-	-	-
<b>Expenditures</b>					
Salary and wages	-	-	822	2,606	-
Program operating costs	17,556	13,741	464	10,465	255
Capital expenditures	-	-	-	-	-
Total expenditures	17,556	13,741	1,286	13,071	255
Excess (deficiency) of revenues over (under) expenditures	-17,556	-	-1,286	-13,071	-255
<b>Other financing sources (uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	-17,556	-	-1,286	-13,071	-255
<b>Fund balance - July 1</b>	21,644	-	1,286	81,821	255
<b>Fund balance - June 30</b>	\$ 4,088	\$ -	\$ -	\$ 68,750	\$ -

**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, 2016

	Energy task force grant account - 2713	State aid drug abuse grant account - 2257	Rails to trails grant account - 2283	Vo-ag equipment grant account - 2289	Warm hearts donations program fund - 209
<b>Assets</b>					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Receivables	-	-	-	-	-
Inventory and prepaids	-	-	-	-	-
Due from other funds	600	-	-	-	50,105
<b>Total assets</b>	<b>600</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,105</b>
<b>Liabilities</b>					
Accrued liabilities	600	-	-	-	-
Other liabilities	-	-	-	-	-
Due to other funds	-	-	-	27,749	-
<b>Total liabilities</b>	<b>600</b>	<b>-</b>	<b>-</b>	<b>27,749</b>	<b>-</b>
<b>Fund balance</b>					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	50,105
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-27,749	-
<b>Total fund balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-27,749</b>	<b>50,105</b>
<b>Total liabilities and fund balance</b>	<b>\$ 600</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 50,105</b>
<b>Revenues</b>					
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and investment earnings	-	-	-	-	-
Charges for services	-	-	-	-	-
Miscellaneous	-	-	-	-	14,349
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,349</b>
<b>Expenditures</b>					
Salary and wages	-	-	-	-	-
Program operating costs	600	628	100	-	2,513
Capital expenditures	-	-	-	-	-
<b>Total expenditures</b>	<b>600</b>	<b>628</b>	<b>100</b>	<b>-</b>	<b>2,513</b>
Excess (deficiency) of revenues over (under) expenditures	-600	-628	-100	-	11,836
<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>
Net change in fund balance	-600	-628	-100	-	11,836
<b>Fund balance - July 1</b>	<b>600</b>	<b>628</b>	<b>100</b>	<b>-27,749</b>	<b>38,269</b>
<b>Fund balance - June 30</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -27,749</b>	<b>\$ 50,105</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, 2016

	Senior center donations fund - 225	Lathrop senior center donation fund - 231	Miscellaneous donations fund - 230	Summer dance fest fund - 216	Cemetery lot sales fund - 203	Historic buildings fund - 201
<b>Assets</b>						
Cash	\$ -	\$ -	\$ -	\$ -	\$ 38,526	\$ 10,244
Investments	-	11,358	-	-	-	-
Receivables	-	-	-	-	-	-
Inventory and prepaids	-	-	-	1,500	-	-
Due from other funds	19,040	145	7,806	18,485	-	-
Total assets	19,040	11,503	7,806	19,985	38,526	10,244
<b>Liabilities</b>						
Accrued liabilities	140	-	805	-	-	-
Other liabilities	-	-	-	-	-	-
Due to other funds	-	-	-	-	31,645	-
Total liabilities	140	-	805	-	31,645	-
<b>Fund balance</b>						
Nonspendable	-	-	-	1,500	-	-
Restricted	18,900	-	7,001	-	-	-
Committed	-	-	-	-	-	-
Assigned	-	11,503	-	18,485	6,881	10,244
Unassigned	-	-	-	-	-	-
Total fund balance	18,900	11,503	7,001	19,985	6,881	10,244
Total liabilities and fund balance	\$ 19,040	\$ 11,503	\$ 7,806	\$ 19,985	\$ 38,526	\$ 10,244
<b>Revenues</b>						
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and investment earnings	-	1,184	-	-	154	41
Charges for services	-	-	5,106	-	1,950	-
Miscellaneous	16,865	10,319	-	8,375	-	-
Total revenues	16,865	11,503	5,106	8,375	2,104	41
<b>Expenditures</b>						
Salary and wages	-	-	-	-	-	-
Program operating costs	7,566	-	6,205	12,616	1,604	-
Capital expenditures	-	-	-	-	-	-
Total expenditures	7,566	-	6,205	12,616	1,604	-
Excess (deficiency) of revenues over (under) expenditures	9,299	11,503	-1,099	-4,241	500	41
<b>Other financing sources (uses)</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balance	9,299	11,503	-1,099	-4,241	500	41
<b>Fund balance - July 1</b>	9,601	-	8,100	24,226	6,381	10,203
<b>Fund balance - June 30</b>	\$ 18,900	\$ 11,503	\$ 7,001	\$ 19,985	\$ 6,881	\$ 10,244

**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, 2016

	LES activity accounts fund - 900	LMS activity accounts fund - 900	LHS activity accounts fund - 900	Special ed excess costs grant fund - 001	School educational grants fund - 002	Totals
<b>Assets</b>						
Cash	\$ 17,414	\$ 38,317	\$ 40,242	\$ -	\$ 242,500	\$ 467,064
Investments	-	-	-	-	-	14,198
Receivables	-	-	-	-	5,769	30,686
Inventory and prepaids	-	-	-	-	-	17,485
Due from other funds	-	-	-	-	-	931,188
Total assets	<u>17,414</u>	<u>38,317</u>	<u>40,242</u>	<u>-</u>	<u>248,269</u>	<u>1,460,621</u>
<b>Liabilities</b>						
Accrued liabilities	-	-	-	-	916	70,538
Other liabilities	-	-	-	-	-	900
Due to other funds	-	-	-	-	224,832	288,499
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>225,748</u>	<u>359,937</u>
<b>Fund balance</b>						
Nonspendable	-	-	-	-	-	17,485
Restricted	-	-	-	-	25,989	425,673
Committed	-	-	-	-	-	453,056
Assigned	17,414	38,317	40,242	-	-	235,688
Unassigned	-	-	-	-	-3,468	-31,218
Total fund balance	<u>17,414</u>	<u>38,317</u>	<u>40,242</u>	<u>-</u>	<u>22,521</u>	<u>1,100,684</u>
Total liabilities and fund balance	<u>\$ 17,414</u>	<u>\$ 38,317</u>	<u>\$ 40,242</u>	<u>\$ -</u>	<u>\$ 248,269</u>	<u>\$ 1,460,621</u>
<b>Revenues</b>						
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -	\$ 427,655	\$ 1,051,635
Interest and investment earnings	-	-	-	-	-	1,863
Charges for services	-	-	-	-	-	273,998
Miscellaneous	3,229	11,907	30,260	446,616	9,965	149,161
Total revenues	<u>3,229</u>	<u>11,907</u>	<u>30,260</u>	<u>446,616</u>	<u>437,620</u>	<u>1,476,657</u>
<b>Expenditures</b>						
Salary and wages	-	-	-	-	507,167	814,675
Program operating costs	1,928	9,745	33,716	446,616	102,189	1,383,153
Capital expenditures	-	-	-	-	-	44,445
Total expenditures	<u>1,928</u>	<u>9,745</u>	<u>33,716</u>	<u>446,616</u>	<u>609,356</u>	<u>2,242,273</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,301</u>	<u>2,162</u>	<u>-3,456</u>	<u>-</u>	<u>-171,736</u>	<u>-765,616</u>
<b>Other financing sources (uses)</b>						
Transfers in	-	-	-	-	-	561,344
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>561,344</u>
Net change in fund balance	1,301	2,162	-3,456	-	-171,736	-204,272
<b>Fund balance - July 1</b>	<u>16,113</u>	<u>36,155</u>	<u>43,698</u>	<u>-</u>	<u>194,257</u>	<u>1,304,956</u>
<b>Fund balance - June 30</b>	<u>\$ 17,414</u>	<u>\$ 38,317</u>	<u>\$ 40,242</u>	<u>\$ -</u>	<u>\$ 22,521</u>	<u>\$ 1,100,684</u>

**Town of Lebanon, Connecticut**  
Combining Balance sheet and combining Statement of revenues,  
expenditures and changes in fund balances - Non-major capital project funds  
As of and for the year ended June 30, 2016

	Lake Williams project	Town bridge grants	DOT fix it first bridge grant	Tyler field project grant	Totals
<b>Assets</b>					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Receivables	-	-	-	-	-
Inventory and prepaids	-	-	-	-	-
Due from other funds	60,533	-	-	-	60,533
Total assets	<u>60,533</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,533</u>
<b>Liabilities</b>					
Accrued liabilities	-	-	-	-	-
Other liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance</b>					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	60,533	-	-	-	60,533
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balance	<u>60,533</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,533</u>
Total liabilities and fund balance	<u>\$ 60,533</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,533</u>
<b>Revenues</b>					
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and investment earnings	-	-	-	-	-
Charges for services	-	-	-	-	-
Miscellaneous	-	-	-	54	54
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>54</u>	<u>54</u>
<b>Expenditures</b>					
Salary and wages	-	-	-	-	-
Program operating costs	-	-	129	-	129
Capital expenditures	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>129</u>	<u>-</u>	<u>129</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-129</u>	<u>54</u>	<u>-75</u>
<b>Other financing sources (uses)</b>					
Transfers in	-	32,979	-	-	32,979
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>32,979</u>	<u>-</u>	<u>-</u>	<u>32,979</u>
Net change in fund balance	-	32,979	-129	54	32,904
<b>Fund balance - July 1</b>	<u>60,533</u>	<u>-32,979</u>	<u>129</u>	<u>-54</u>	<u>27,629</u>
<b>Fund balance - June 30</b>	<u>\$ 60,533</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,533</u>

**Town of Lebanon, Connecticut**  
Combining Balance sheet and combining Statement of revenues,  
expenditures and changes in fund balances - Non-major permanent funds  
As of and for the year ended June 30, 2016

	Cummings scholarship fund -231	George Lyman scholarship fund - 231	Cemetery perpetual care fund - 231	Helen Rodgers scholarship fund - 231	Waterman Wilson library fund - 231	Flora Williams library fund - 231
<b>Assets</b>						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	213,224	46,211	11,407	10,821	10,088	7,575
Receivables	-	-	-	-	-	-
Inventory and prepaids	-	-	-	-	-	-
Due from other funds	738	160	-	38	-	-
Total assets	213,962	46,371	11,407	10,859	10,088	7,575
<b>Liabilities</b>						
Accrued liabilities	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Due to other funds	-	-	546	-	1,120	-
Total liabilities	-	-	546	-	1,120	-
<b>Fund balance</b>						
Nonspendable	197,045	42,705	10,541	10,000	8,360	7,000
Restricted	16,917	3,666	320	859	608	575
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balance	213,962	46,371	10,861	10,859	8,968	7,575
Total liabilities and fund balance	\$ 213,962	\$ 46,371	\$ 11,407	\$ 10,859	\$ 10,088	\$ 7,575
<b>Revenues</b>						
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and investment earnings	25,138	5,449	1,344	1,276	1,189	893
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	25,138	5,449	1,344	1,276	1,189	893
<b>Expenditures</b>						
Salary and wages	-	-	-	-	-	-
Program operating costs	5,951	1,274	546	302	-	-
Capital expenditures	-	-	-	-	-	-
Total expenditures	5,951	1,274	546	302	-	-
Excess (deficiency) of revenues over (under) expenditures	19,187	4,175	798	974	1,189	893
<b>Other financing sources (uses)</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-344	-	-304	-229
Total other financing sources (uses)	-	-	-344	-	-304	-229
Net change in fund balance	19,187	4,175	454	974	885	664
<b>Fund balance - July 1</b>	194,775	42,196	10,407	9,885	8,083	6,911
<b>Fund balance - June 30</b>	\$ 213,962	\$ 46,371	\$ 10,861	\$ 10,859	\$ 8,968	\$ 7,575

**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, 2016

	Town deposit fund fund - 240	Lebanon school prizes fund - 231	Royal O. Woodard scholarship fund - 231	Dorothy Hinckley scholarship fund - 240	Elizabeth Grant scholarship fund - 230	EL Reichard nursing scholarship fund - 230
<b>Assets</b>						
Cash	\$ 6,564	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	6,926	6,547	6,092	4,637	3,247
Receivables	-	-	-	-	-	-
Inventory and prepaids	-	-	-	-	-	-
Due from other funds	-	551	22	-	16	11
Total assets	<u>6,564</u>	<u>7,477</u>	<u>6,569</u>	<u>6,092</u>	<u>4,653</u>	<u>3,258</u>
<b>Liabilities</b>						
Accrued liabilities	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance</b>						
Nonspendable	6,564	6,400	6,050	5,000	4,285	3,000
Restricted	-	1,077	519	1,092	368	258
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balance	<u>6,564</u>	<u>7,477</u>	<u>6,569</u>	<u>6,092</u>	<u>4,653</u>	<u>3,258</u>
Total liabilities and fund balance	<u>\$ 6,564</u>	<u>\$ 7,477</u>	<u>\$ 6,569</u>	<u>\$ 6,092</u>	<u>\$ 4,653</u>	<u>\$ 3,258</u>
<b>Revenues</b>						
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and investment earnings	3	817	771	12	546	383
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	<u>3</u>	<u>817</u>	<u>771</u>	<u>12</u>	<u>546</u>	<u>383</u>
<b>Expenditures</b>						
Salary and wages	-	-	-	-	-	-
Program operating costs	-	-	233	-	129	90
Capital expenditures	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>233</u>	<u>-</u>	<u>129</u>	<u>90</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3</u>	<u>817</u>	<u>538</u>	<u>12</u>	<u>417</u>	<u>293</u>
<b>Other financing sources (uses)</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-3	-	-	-	-	-
Total other financing sources (uses)	<u>-3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	817	538	12	417	293
<b>Fund balance - July 1</b>	<u>6,564</u>	<u>6,660</u>	<u>6,031</u>	<u>6,080</u>	<u>4,236</u>	<u>2,965</u>
<b>Fund balance - June 30</b>	<u>\$ 6,564</u>	<u>\$ 7,477</u>	<u>\$ 6,569</u>	<u>\$ 6,092</u>	<u>\$ 4,653</u>	<u>\$ 3,258</u>

**Town of Lebanon, Connecticut**  
Combining Balance sheet and combining Statement of revenues,  
expenditures and changes in fund balances - Non-major permanent funds  
As of and for the year ended June 30, 2016

	Flora Williams scholarship fund - 231	Local school fund - 240	Vernon Boothby library fund - 240	William Taylor cemetery fund - 231	Oliver & Lucille Manning fund - 240	Totals
<b>Assets</b>						
Cash	\$ -	\$ -	\$ 1,000	\$ -	\$ -	\$ 7,564
Investments	2,164	-	-	1,082	15,851	345,872
Receivables	-	-	-	-	-	-
Inventory and prepaids	-	-	-	-	-	-
Due from other funds	8	1,937	-	-	-	3,481
Total assets	<u>2,172</u>	<u>1,937</u>	<u>1,000</u>	<u>1,082</u>	<u>15,851</u>	<u>356,917</u>
<b>Liabilities</b>						
Accrued liabilities	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	1,666
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,666</u>
<b>Fund balance</b>						
Nonspendable	2,000	1,937	1,000	1,000	9,385	322,272
Restricted	172	-	-	82	6,466	32,979
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balance	<u>2,172</u>	<u>1,937</u>	<u>1,000</u>	<u>1,082</u>	<u>15,851</u>	<u>355,251</u>
Total liabilities and fund balance	<u>\$ 2,172</u>	<u>\$ 1,937</u>	<u>\$ 1,000</u>	<u>\$ 1,082</u>	<u>\$ 15,851</u>	<u>\$ 356,917</u>
<b>Revenues</b>						
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and investment earnings	255	-	1	128	1,296	39,501
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	<u>255</u>	<u>-</u>	<u>1</u>	<u>128</u>	<u>1,296</u>	<u>39,501</u>
<b>Expenditures</b>						
Salary and wages	-	-	-	-	-	-
Program operating costs	60	-	-	-	-	8,585
Capital expenditures	-	-	-	-	-	-
Total expenditures	<u>60</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,585</u>
Excess (deficiency) of revenues over (under) expenditures	<u>195</u>	<u>-</u>	<u>1</u>	<u>128</u>	<u>1,296</u>	<u>30,916</u>
<b>Other financing sources (uses)</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-1	-33	-	-914
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-1</u>	<u>-33</u>	<u>-</u>	<u>-914</u>
Net change in fund balance	195	-	-	95	1,296	30,002
<b>Fund balance - July 1</b>	<u>1,977</u>	<u>1,937</u>	<u>1,000</u>	<u>987</u>	<u>14,555</u>	<u>325,249</u>
<b>Fund balance - June 30</b>	<u>\$ 2,172</u>	<u>\$ 1,937</u>	<u>\$ 1,000</u>	<u>\$ 1,082</u>	<u>\$ 15,851</u>	<u>\$ 356,917</u>

**Town of Lebanon, Connecticut**  
Combining Statement of fiduciary net position and Statement  
of changes in fiduciary net position - Private purpose trusts  
As of and for the year ended June 30, 2016

	Jared Hinckley scholarship fund - 241	Kalmon Kurcinik scholarship fund - 241	Mary Chase fund fund - 231	Robert L. Hanover scholarship fund - 241	Richard Woyasz scholarship fund - 241
<b>Assets</b>					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	49,762	7,573	8,721	781	917
Receivables	-	-	-	-	-
Inventory and prepaids	-	-	-	-	-
Due from other funds	-	-	200	-	-
Total assets	<u>49,762</u>	<u>7,573</u>	<u>8,921</u>	<u>781</u>	<u>917</u>
<b>Liabilities</b>					
Accrued liabilities	-	-	-	-	-
Other liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net position</b>					
Restricted					
Expendable	49,762	7,573	8,921	781	917
Non-expendable	-	-	-	-	-
Unrestricted	-	-	-	-	-
Total net position	<u>49,762</u>	<u>7,573</u>	<u>8,921</u>	<u>781</u>	<u>917</u>
Total liabilities and net position	<u>\$ 49,762</u>	<u>\$ 7,573</u>	<u>\$ 8,921</u>	<u>\$ 781</u>	<u>\$ 917</u>
<b>Additions:</b>					
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and investment earnings	151	19	924	3	4
Charges for services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total additions	<u>151</u>	<u>19</u>	<u>924</u>	<u>3</u>	<u>4</u>
<b>Deductions:</b>					
Salary and wages	-	-	-	-	-
Program operating costs	400	350	-	350	-
Capital expenditures	-	-	-	-	-
Total deductions	<u>400</u>	<u>350</u>	<u>-</u>	<u>350</u>	<u>-</u>
Change in net position	-249	-331	924	-347	4
Net position - July 1	<u>50,011</u>	<u>7,904</u>	<u>7,997</u>	<u>1,128</u>	<u>913</u>
Net position - June 30	<u>\$ 49,762</u>	<u>\$ 7,573</u>	<u>\$ 8,921</u>	<u>\$ 781</u>	<u>\$ 917</u>

**Town of Lebanon, Connecticut**  
Combining Statement of fiduciary net position and Statement  
of changes in fiduciary net position - Private purpose trusts  
As of and for the year ended June 30, 2016

	Flegert Ausberger library fund - 231	Nichols Trahan scholarship fund - 241	Town school prizes fund - 231	Totals
<b>Assets</b>				
Cash	\$ -	\$ 7,826	\$ -	\$ 7,826
Investments	2,768	-	1,943	72,465
Receivables	-	-	-	-
Inventory and prepaids	-	-	-	-
Due from other funds	133	-	45	378
Total assets	<u>2,901</u>	<u>7,826</u>	<u>1,988</u>	<u>80,669</u>
<b>Liabilities</b>				
Accrued liabilities	-	-	-	-
Other liabilities	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net position</b>				
Restricted				
Expendable	2,901	7,826	1,988	80,669
Non-expendable	-	-	-	-
Unrestricted	-	-	-	-
Total net position	<u>2,901</u>	<u>7,826</u>	<u>1,988</u>	<u>80,669</u>
Total liabilities and net position	<u>\$ 2,901</u>	<u>\$ 7,826</u>	<u>\$ 1,988</u>	<u>\$ 80,669</u>
<b>Additions:</b>				
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -
Interest and investment earnings	326	8	206	1,641
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	<u>326</u>	<u>8</u>	<u>206</u>	<u>1,641</u>
<b>Deductions:</b>				
Salary and wages	-	-	-	-
Program operating costs	-	-	-	1,100
Capital expenditures	-	-	-	-
Total deductions	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,100</u>
Change in net position	326	8	206	541
<b>Net position - July 1</b>	<u>2,575</u>	<u>7,818</u>	<u>1,782</u>	<u>80,128</u>
<b>Net position - June 30</b>	<u>\$ 2,901</u>	<u>\$ 7,826</u>	<u>\$ 1,988</u>	<u>\$ 80,669</u>

**Town of Lebanon, Connecticut**  
Combining Balance sheet and combining Statement of revenues,  
expenditures and changes in fund balances - Trumbull Investment funds  
As of and for the year ended June 30, 2016

	Jonathan Trumbull Jr. library fund fund - 231	Adams community center fund fund - 231	Jonathan Trumbull Jr. house fund fund - 231	Totals
<b>Assets</b>				
Cash	\$ -	\$ -	\$ -	\$ -
Investments	1,491,203	780,815	523,127	2,795,145
Receivables	-	-	-	-
Inventory and prepaids	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>1,491,203</u>	<u>780,815</u>	<u>523,127</u>	<u>2,795,145</u>
<b>Liabilities</b>				
Accrued liabilities	-	-	-	-
Other liabilities	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance</b>				
Nonspendable	-	-	-	-
Restricted	1,491,203	780,815	523,127	2,795,145
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balance	<u>1,491,203</u>	<u>780,815</u>	<u>523,127</u>	<u>2,795,145</u>
Total liabilities and fund balance	<u>\$ 1,491,203</u>	<u>\$ 780,815</u>	<u>\$ 523,127</u>	<u>\$ 2,795,145</u>
<b>Revenues</b>				
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -
Interest and investment earnings	175,803	92,053	61,673	329,529
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>175,803</u>	<u>92,053</u>	<u>61,673</u>	<u>329,529</u>
<b>Expenditures</b>				
Salary and wages	-	-	-	-
Program operating costs	-	-	-	-
Capital expenditures	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>175,803</u>	<u>92,053</u>	<u>61,673</u>	<u>329,529</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	-45,030	-23,579	-15,797	-84,406
Total other financing sources (uses)	<u>-45,030</u>	<u>-23,579</u>	<u>-15,797</u>	<u>-84,406</u>
Net change in fund balance	130,773	68,474	45,876	245,123
<b>Fund balance - July 1</b>	<u>1,360,430</u>	<u>712,341</u>	<u>477,251</u>	<u>2,550,022</u>
<b>Fund balance - June 30</b>	<u>\$ 1,491,203</u>	<u>\$ 780,815</u>	<u>\$ 523,127</u>	<u>\$ 2,795,145</u>

**Town of Lebanon, Connecticut**  
Combining Balance sheet and combining Statement of revenues,  
expenditures and changes in fund balances - Town capital funds  
As of and for the year ended June 30, 2016

	Capital & nonrecurring fund - 220	School capital fund - 245	Town library project fund - 243	Town bridge projects fund - 244
<b>Assets</b>				
Cash	\$ -	\$ -	\$ -	\$ -
Investments	-	-	1,003,376	2,247,561
Receivables	23,619	-	-	-
Inventory and prepaids	-	-	-	-
Due from other funds	1,152,048	186,586	-	81,770
Total assets	<u>1,175,667</u>	<u>186,586</u>	<u>1,003,376</u>	<u>2,329,331</u>
<b>Liabilities</b>				
Accrued liabilities	22,719	-	5,070	161,190
Other liabilities	-	-	1,003,376	2,240,000
Due to other funds	-	-	70,713	-
Total liabilities	<u>22,719</u>	<u>-</u>	<u>1,079,159</u>	<u>2,401,190</u>
<b>Fund balance</b>				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	1,152,948	186,586	-	-
Assigned	-	-	-	-
Unassigned	-	-	-75,783	-71,859
Total fund balance	<u>1,152,948</u>	<u>186,586</u>	<u>-75,783</u>	<u>-71,859</u>
Total liabilities and fund balance	<u>\$ 1,175,667</u>	<u>\$ 186,586</u>	<u>\$ 1,003,376</u>	<u>\$ 2,329,331</u>
<b>Revenues</b>				
Intergovernmental revenues	\$ 72,023	\$ -	\$ -	\$ -
Interest and investment earnings	-	-	-	7,561
Miscellaneous	26,119	-	-	-
Total revenues	<u>98,142</u>	<u>-</u>	<u>-</u>	<u>7,561</u>
<b>Expenditures</b>				
Program operating costs	274,295	-	-	-
Capital expenditures	823,049	-	75,783	330,474
Non-cash capital lease purchase	115,000	-	-	-
Total expenditures	<u>1,212,344</u>	<u>-</u>	<u>75,783</u>	<u>330,474</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-1,114,202</u>	<u>-</u>	<u>-75,783</u>	<u>-322,913</u>
<b>Other financing sources (uses)</b>				
Non-cash capital lease proceeds	115,000	-	-	-
Transfers in	1,475,629	186,586	-	251,054
Transfers out	-285,927	-	-	-
Total other financing sources (uses)	<u>1,304,702</u>	<u>186,586</u>	<u>-</u>	<u>251,054</u>
Net change in fund balance	190,500	186,586	-75,783	-71,859
<b>Fund balance - July 1</b>	<u>962,448</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance - June 30</b>	<u>\$ 1,152,948</u>	<u>\$ 186,586</u>	<u>\$ -75,783</u>	<u>\$ -71,859</u>

**Town of Lebanon, Connecticut**  
Combining Balance sheet and combining Statement of revenues,  
expenditures and changes in fund balances - Town capital funds  
As of and for the year ended June 30, 2016

	Fire safety complex construction account - 2298	Senior center construction fund - 217	Amston lake sewer construction fund - 229	Totals
<b>Assets</b>				
Cash	\$ -	\$ -	\$ -	\$ -
Investments	-	-	71,813	3,322,750
Receivables	-	-	-	23,619
Inventory and prepaids	-	-	-	-
Due from other funds	-	-	-	1,420,404
Total assets	<u>-</u>	<u>-</u>	<u>71,813</u>	<u>4,766,773</u>
<b>Liabilities</b>				
Accrued liabilities	-	-	-	188,979
Other liabilities	-	-	-	3,243,376
Due to other funds	-	-	40,487	111,200
Total liabilities	<u>-</u>	<u>-</u>	<u>40,487</u>	<u>3,543,555</u>
<b>Fund balance</b>				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	31,326	1,370,860
Assigned	-	-	-	-
Unassigned	-	-	-	-147,642
Total fund balance	<u>-</u>	<u>-</u>	<u>31,326</u>	<u>1,223,218</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,813</u>	<u>\$ 4,766,773</u>
<b>Revenues</b>				
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ 72,023
Interest and investment earnings	-	-	144	7,705
Miscellaneous	-	-	-	26,119
Total revenues	<u>-</u>	<u>-</u>	<u>144</u>	<u>105,847</u>
<b>Expenditures</b>				
Program operating costs	-	-	-	274,295
Capital expenditures	-	-	-	1,229,306
Non-cash capital lease purchase	-	-	-	115,000
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,618,601</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>144</u>	<u>-1,512,754</u>
<b>Other financing sources (uses)</b>				
Non-cash capital lease proceeds	-	-	-	115,000
Transfers in	-	1,894	-	1,650,574
Transfers out	-11,641	-	-	-32,979
Total other financing sources (uses)	<u>-11,641</u>	<u>1,894</u>	<u>-</u>	<u>1,732,595</u>
Net change in fund balance	-11,641	1,894	144	219,841
<b>Fund balance - July 1</b>	<u>11,641</u>	<u>-1,894</u>	<u>31,182</u>	<u>1,003,377</u>
<b>Fund balance - June 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,326</u>	<u>\$ 1,223,218</u>

**Town of Lebanon, Connecticut**  
Combining Statement of revenues, expenditures, and changes  
in fund balances - Capital non-recurring fund  
As of and for the year ended June 30, 2016

	Fund balance 07/01/15	Annual appropriation	Revenues	Expenditures	Transfers	Fund balance 06/30/16
<b>General government:</b>						
Revaluation	\$ 6,019	\$ -	\$ -	\$ -	\$ -	\$ 6,019
<b>Public safety:</b>						
Police radios	-	16,000	-	-15,809	-	191
Fire apparatus reserve	-34,400	52,629	-	-	-	18,229
Emergency services reserve	159,689	-	23,619	-	-	183,308
Fire exhaust system bays	-	108,000	-	-62,450	-32,670	12,880
Lvfd 10,000 gallon water tank	-	20,000	-	-	-	20,000
Fire safety garage doors	-	-	-	-	25,600	25,600
Fire safety passage doors	-	-	-	-	2,000	2,000
	<u>125,289</u>	<u>196,629</u>	<u>23,619</u>	<u>-78,259</u>	<u>-5,070</u>	<u>262,208</u>
<b>Public works:</b>						
Paving	188,892	415,000	-	-441,602	-	162,290
Taylor road bridge over Bartlett	-	-	72,023	-	-72,023	-
Future bridge survey & design	23,386	-	-	-1,161	-	22,225
Truck body replacements	-1,900	-	-	-	-	-1,900
Loader & trucks leasing	18,843	25,000	-	-28,613	-	15,230
Tractor & mower leasing	15,842	30,000	-	-30,783	-	15,059
Truck leasing	-2,175	40,000	-	-36,698	-	1,127
Truck leasing	-	45,000	-	-43,488	-	1,512
Bucket truck reserve	16,088	-	-	-	-	16,088
Debris vacuum reserve	1,722	-	-	-	-	1,722
Waterman road drainage	10,000	-	-	-9,838	-	162
Bascom road design	28,298	-	-	-28,298	-	-
Public works building comm.	25,000	15,000	-	-35,962	-	4,038
Senior center car port	45,000	-	-	-	-	45,000
Road & bridges improvement	-	260,000	-	-8,946	-251,054	-
Public works compact roller	-	45,000	-	-	-	45,000
Public works extendable boom	-	5,000	-	-	-	5,000
Public works 4 in 1 clam shell	-	14,000	-	-	-	14,000
Public works fan unit	-	-	-	-	5,070	5,070
Public works leaf blower	-	5,000	-	-	-	5,000
Trans station improvements	65,216	-	-	-65,216	-	-
Cemetery repairs	2,816	10,000	-	-2,816	-	10,000
Cemetery road development	20,000	-	-	-4,497	-	15,503
	<u>457,028</u>	<u>909,000</u>	<u>72,023</u>	<u>-737,918</u>	<u>-318,007</u>	<u>382,126</u>
<b>Health and social:</b>						
Aspinal tennis to basketball	3,492	-	-	-3,254	-	238
Soccer field design	20,647	-	-	-12,564	-	8,083
Library renovations	3,890	-	-	-2,550	-	1,340
	<u>28,029</u>	<u>-</u>	<u>-</u>	<u>-18,368</u>	<u>-</u>	<u>9,661</u>

**Town of Lebanon, Connecticut**  
Combining Statement of revenues, expenditures, and changes  
in fund balances - Capital non-recurring fund  
As of and for the year ended June 30, 2016

	Fund balance 07/01/15	Annual appropriation	Revenues	Expenditures	Transfers	Fund balance 06/30/16
<b>Community preservation</b>						
Open space	\$ 167,398	\$ 100,000	\$ 2,500	\$ -6,800	\$ -	\$ 263,098
<b>Education:</b>						
School improvement plan	105,280	150,000	-	-158,671	-	96,609
Technology	20,140	90,000	-	-48,118	-	62,022
Athletic facilities	53,265	30,000	-	-49,210	-	34,055
	<u>178,685</u>	<u>270,000</u>	<u>-</u>	<u>-255,999</u>	<u>-</u>	<u>192,686</u>
<b>Unclassified</b>						
Uncommitted fund balance	-	-	-	-	37,150	37,150
<b>Sub-totals:</b>	962,448	1,475,629	98,142	-1,097,344	-285,927	1,152,948
Non-cash capital lease proceeds	-	-	115,000	-	-	115,000
Non-cash capital lease purchase	-	-	-	-115,000	-	-115,000
<b>Totals:</b>	<u>\$ 962,448</u>	<u>\$ 1,475,629</u>	<u>\$ 213,142</u>	<u>\$ -1,212,344</u>	<u>\$ -285,927</u>	<u>\$ 1,152,948</u>

**Town of Lebanon, Connecticut**  
Combining Balance sheet and combining Statement of revenues,  
expenditures and changes in fund balances - Small cities program funds  
As of and for the year ended June 30, 2016

	Small cities grant FY 2015 fund - 242	Small cities program income fund - 219	Totals
<b>Assets</b>			
Cash	\$ -	\$ 16,128	\$ 16,128
Investments	-	-	-
Receivables	-	798,230	798,230
Inventory and prepaids	-	-	-
Due from other funds	-	-	-
Total assets	<u>-</u>	<u>814,358</u>	<u>814,358</u>
<b>Liabilities</b>			
Accrued liabilities	-	-	-
Other liabilities	-	-	-
Due to other funds	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance</b>			
Nonspendable	-	-	-
Restricted	-	814,358	814,358
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total fund balance	<u>-</u>	<u>814,358</u>	<u>814,358</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ 814,358</u>	<u>\$ 814,358</u>
<b>Revenues</b>			
Intergovernmental revenues	\$ 5,590	\$ -	\$ 5,590
Interest and investment earnings	-	-	-
Charges for services	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>5,590</u>	<u>-</u>	<u>5,590</u>
<b>Expenditures</b>			
Salary and wages	-	-	-
Program operating costs	5,590	60,040	65,630
Capital expenditures	-	-	-
Total expenditures	<u>5,590</u>	<u>60,040</u>	<u>65,630</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-60,040</u>	<u>-60,040</u>
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-60,040	-60,040
<b>Fund balance - July 1</b>	<u>-</u>	<u>874,398</u>	<u>874,398</u>
<b>Fund balance - June 30</b>	<u>\$ -</u>	<u>\$ 814,358</u>	<u>\$ 814,358</u>

**Town of Lebanon, Connecticut**  
 Schedule of debt limitation  
 Connecticut General Statutes, Section 7-374 (b)  
 For the year ended June 30, 2016

Total tax collections (including interest and lien fees) for the current fiscal year.	\$ 17,703,245
Total tax collections (including interest and lien fees) of city, borough and all other taxing districts within the Town for the current fiscal year.	-
Reimbursement for revenue loss on: Tax relief for the elderly - (CGS 12-129d)	<u>32,940</u>
Total base	<u><u>\$ 17,736,185</u></u>

<b>Debt limitation:</b>	General purposes	Schools	Sewers	Urban renewal	Pension deficit
2 1/4 times base	\$ 39,906,416	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	79,812,832	-	-	-
3 3/4 times base	-	-	66,510,694	-	-
3 1/4 times base	-	-	-	57,642,601	-
3 times base	-	-	-	-	53,208,555
Total debt limitation	<u>39,906,416</u>	<u>79,812,832</u>	<u>66,510,694</u>	<u>57,642,601</u>	<u>53,208,555</u>

**Indebtedness:**

Bonds payable	456,000	1,444,000	4,610,521	-	-
Bonds authorized and unissued	630,000	8,296,724	1,445,000	-	-
Notes payable	58,552	-	-	-	-
Capital leases payable	323,903	-	-	-	-
Pension contribution payable	18,158	-	-	-	-
Accrued compensated absences:					
School employees	-	38,837	-	-	-
Town employees	40,851	-	-	-	-
Accrued post closure landfill costs	42,631	-	-	-	-
Total indebtedness	<u>1,570,095</u>	<u>9,779,561</u>	<u>6,055,521</u>	<u>-</u>	<u>-</u>

Debt limitation in excess of outstanding and authorized debt	<u><u>\$ 38,336,321</u></u>	<u><u>\$ 70,033,271</u></u>	<u><u>\$ 60,455,173</u></u>	<u><u>\$ 57,642,601</u></u>	<u><u>\$ 53,208,555</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 \$124,153,295 which is well above the \$17,405,177 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, 2016 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, 2016 equal \$630,000 for the fire safety complex. The authorized and unissued bond amounts relating to sewers as of June 30, 2016 relate to the Lebanon Amston Lake Sewer District construction 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.

**Town of Lebanon, Connecticut**  
 Schedule of property taxes levied,  
 collections, and outstanding balances  
 For the year ended June 30, 2016

Grand list	Uncollected taxes 06/30/15	Current year taxes levied	Lawful corrections		Net taxes collectable
			Additions	Deductions	
2014	\$ -	\$ 17,574,544	\$ 24,956	\$ -36,904	\$ 17,562,596
2013	347,218	-	3,363	-3,679	346,902
2012	127,060	-	227	-382	126,905
2011	42,443	-	188	-	42,631
2010	6,470	-	-	-	6,470
2009	5,162	-	-	-	5,162
2008	2,023	-	-	-	2,023
2007	2,055	-	-	-	2,055
2006	1,247	-	-	-	1,247
2005	286	-	-	-	286
2004	273	-	-	-	273
2003	263	-	-	-	263
2002	110	-	-	-	110
2001	105	-	-	-	105
2000	101	-	-	-	101
1999	-	-	-	-	-
	<u>\$ 534,816</u>	<u>\$ 17,574,544</u>	<u>\$ 28,734</u>	<u>\$ -40,965</u>	<u>\$ 18,097,129</u>

**Town of Lebanon, Connecticut**  
 Schedule of property taxes levied,  
 collections, and outstanding balances  
 For the year ended June 30, 2016

Grand list	Collections during the fiscal year				Total	Adjustments	Uncollected taxes 06/30/16
	Taxes	Interest	Lien fees				
2014	\$ 17,193,843	\$ 69,721	\$ 6,788	\$ 17,270,352	\$ -	\$ 368,753	
2013	202,081	40,515	2,486	245,082	-	144,821	
2012	47,768	20,401	598	68,767	-23,613	55,524	
2011	23,260	12,652	540	36,452	-	19,371	
2010	5,987	3,991	48	10,026	-	483	
2009	4,635	2,359	48	7,042	-	527	
2008	1,516	1,658	24	3,198	-	507	
2007	1,673	2,133	24	3,830	-	382	
2006	631	38	24	693	-	616	
2005	-	-	-	-	-	286	
2004	-	-	-	-	-	273	
2003	-	-	-	-	-	263	
2002	-	-	-	-	-	110	
2001	-	-	-	-	-	105	
2000	-	-	-	-	-	101	
1999	-	-	-	-	-	-	
	<u>\$ 17,481,394</u>	<u>\$ 153,468</u>	<u>\$ 10,580</u>	<u>\$ 17,645,442</u>	<u>\$ -23,613</u>	<u>\$ 592,122</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 revenues balance on Statement D, Statement E, or Sub-Schedule E. However, the following is a reconciliation of selected balances from this schedule to the amount shown on Statement D, Statement E, and Sub-Schedule E.

\$ 17,574,544	Current year taxes levied from page 80
153,468	Tax interest collections during the current fiscal year from above
12,114	Suspense interest and lien collections during the current fiscal year
10,580	Tax lien fee collections during the current fiscal year from above
9,664	Suspense principle balance collections during the current fiscal year
-23,613	Account balance adjustments as items transferred to suspense
-12,231	The net lawful corrections made during the current fiscal year from page 80
-21,281	The unearned tax revenue adjustment made as described in item number 2 on page 17
<u>\$ 17,703,245</u>	Property taxes revenues per Statement D, Statement E, and Sub-Schedule E

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 \$9,664 was collected on principle suspense tax balances owed and \$12,114 of interest and lien fees was collected on principle suspense tax balances owed. Certificates of correction were completed for taxes which had already been transferred to suspense during the current fiscal year in the amount of a \$29 decrease.

# Stephen T. Hopkins, CPA, PC

## Auditing, Accounting, and Consulting Services

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### 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, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental activities, the business-type activities, 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, 2016, and the related notes to the financial statements, which collectively comprise the Town of Lebanon, Connecticut's basic financial statements, and have issued our report thereon dated February 8, 2017.

#### **Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that 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 a significant deficiencies. These significant deficiencies are noted in the aforementioned schedule as item numbers 16-01 through 16-04.

#### **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 Findings**

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. The Town of Lebanon, Connecticut's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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

Stephen T. Hopkins, CPA, PC

*Stephen J. Hopkins, CPA, PC*

Scarborough, Maine  
February 8, 2017

**Town of Lebanon, Connecticut**  
Schedule of findings and questioned costs  
June 30, 2016

**16-01 - Account reconciliations**

Criteria:

The management of the Town and the Board of Education are 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 in addition to ensuring that the assets of the Town are being safeguarded.

Condition and context:

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 non-cash asset and liability accounts on the trial balance of the Town were reconciled or more specifically that they were documented when completed in accordance with the approved finance office accounting policies and procedures manual. Without an adequate system of internal controls in place to ensure that all non-cash asset and liability accounts are being reconciled and more importantly that the reconciliation is being adequately documented, there is no way to ensure that items that may need to be corrected will be prevented or even detected and corrected in a timely manner. We do consider this condition to represent a significant deficiency in internal control over financial reporting.

Monthly bank reconciliations were prepared for all of the cash accounts of the Town as shown on the trial balance during the current fiscal year and documented in accordance with the aforementioned finance office policies and procedures manual. In addition, it does appear as though 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 and that these reviews were being adequately documented. However, it would appear as though a number of the non-cash asset and liability accounts either went unreconciled or the reconciliation and results thereof went undocumented during the current fiscal year. If reconciliations were prepared on these non-cash asset and liability accounts, I was unable to find any documentation of the reconciliations and the results of the reconciliations. The majority of the Town non-cash asset and liability accounts contained only immaterial remaining balance variances which needed to be researched and adjusted. However, the Board of Education payroll withholding accounts and the town tax refund liability account needed material adjustments in order to match the ending balances to adequate supporting documentation. A portion of these material adjustments were related to prior period adjustments completed as part of the current fiscal year audit and a portion of the adjustments were necessary based on the current fiscal year activity.

Effect and cause:

Without account reconciliations being prepared and documented for all non-cash asset and liability 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. The reason for this condition would appear to be that the monthly school expenditure reconciliation process between the school and the town did not include these school payroll withholding accounts. In addition, the monthly tax refund reports as provided by the Tax Collector were not applied directly to the liability account though the tax system generated refund forms received by the Finance Office from the Tax Collector also included a number of duplicate refund payments due which were paid which also affected the ending balance in the account. The aforementioned prior period adjustments would have also made it difficult to effectively reconcile the aforementioned accounts in a reasonable amount of time.

Recommendation:

We recommend that the Town follow the procedures outlined in the finance office accounting policies and procedures manual to ensure that all non-cash asset and liability accounts are being reconciled and that these reconciliations are being adequately documented at least on a semi-annual basis if not a quarterly basis. In addition, we recommend that the Board of Education payroll withholding accounts become part of the monthly school expenditure reconciliation process as these accounts are also shown on the school trial balance and they should equal at any time during 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 plan to incorporate the school payroll withholding accounts into the monthly school expenditure reconciliation process currently in place between the town and the school and to look at the best reconciliation process that can be applied to the tax refund liability account between the Tax Collector and the Finance Office.

**Town of Lebanon, Connecticut**  
Schedule of findings and questioned costs (continued)  
June 30, 2016

**16-02 - Town to school expenditure reconciliations**

Criteria:

The management of the Town and the Board of Education are 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 in addition to ensuring that the assets of the Town are being safeguarded.

Condition:

The Town and the Board of Education use the same accounting software to account for the respective activity during the fiscal year although it is contained on two different servers. Since the Lebanon public schools are in effect a department of the Town the activity relating to the school general fund is recorded within both the town and school trial balances to varying degrees of detail. Expenditures related to the Board of Education are recorded by specific line item by the school and as lump sum amounts by the town after each expenditure check run and processed payroll. Since the amount being recorded on both sides should be the same, no differences should exist. Though monthly expenditure reconciliations were prepared during a portion of the first half of the fiscal year they were not completed until the end of the fiscal year for the remaining months. This resulted in variances between the amounts recorded for school expenditures as shown on the town trial balance to those shown on the school trial balance during a large portion of the fiscal year. During the year end reconciliation of the Board of Education expenditures as recorded on the town trial balance as compared to those shown on the school trial balance approximately forty-one reconciling items were found totaling approximately \$189,312. This material variance needed to be added to the amount shown on the town trial balance to match the amount shown on the school trial balance. A number of the necessary adjustments related to this variance also affected the town recorded due from school grants account which is recorded as an asset on the town trial balance. We do consider this condition to represent a significant deficiency in internal control over financial reporting.

Context:

The current fiscal year reconciliation process between the town and the school relating to Board of Education expenditures did not provide the users of the town general fund balances to have an accurate picture of the true school general fund expenditures until the end of the fiscal year which may not have allowed them to make informed decisions should additional education appropriates be needed or should the use of any remaining surplus balances be requested.

Effect and cause:

Without an adequate system in place to ensure that the school expenditure and due from school grant balances are being recorded accurately within the town trial balance throughout the fiscal year, it is difficult to be confident that an accurate financial picture of the Town as a whole is available at all times 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. It would appear that the main reason for this condition would be the change in the school business manager position and the amount of time necessary to successfully complete the transition and the fact that this transition seemed to occur during the annual budget preparation process.

Recommendation:

We recommend that the town and the school complete monthly school expenditure reconciliations which included both the aforementioned due from school grants account and the school payroll withholding liability accounts recorded on the towns trial balance and that any necessary adjustments relating to this reconciliation process be entered on both the town and school trial balance in a 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 as described above. The town and the school have corrected this condition during the 2017 fiscal year in that monthly reconciliations are being done shortly after the end of each month. The necessary adjustments shown on each reconciliation are also being entered by both the town and the school in a timely manner. We have not yet incorporated the due from school grants account and the school payroll withholding accounts into the reconciliation process but we do intend to address and incorporate these accounts prior to the end of the 2017 fiscal year.

**Town of Lebanon, Connecticut**  
Schedule of findings and questioned costs (continued)  
June 30, 2016

**16-03 - Preparation of monthly bank account reconciliations**

Criteria:

The management of the Town and the Board of Education are 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 in addition to ensuring that the assets of the Town are being safeguarded.

Condition and context:

Monthly bank statements and account reconciliations were requested for the school lunch program for the current fiscal year. During the review of the provided information it was determined that bank reconciliations were only prepared and documented by the school business manager during the first half of the fiscal year. Bank reconciliations did not appear to have been prepared by the school business manager during the second half of the fiscal year. We do consider this condition to represent a significant deficiency in internal control over financial reporting.

The school lunch program is accounted for as a special revenue fund of the Town. During prior fiscal years and during the first half of the current fiscal year the revenues and the expenditures of the program were entered into a separate quickbooks or quicken program by the school business manager. Bank reconciliations were then prepared through this program to match the recorded cash balance within the program to that shown on the monthly bank statement. These reconciliation reports were then filed with each months bank statements and provided for review as part of the annual audit. In addition to bank reconciliations not being prepared for the second half of the fiscal year it would also appear as though the actual school lunch program activity for this period was also not entered into this separate program. As the school represents a department of the Town the school lunch program would represent a special revenue fund of the Town. Therefore this cash account represents an asset of the Town and therefore certain internal controls should be in place to ensure the safeguarding of this specific asset. Monthly bank reconciliations are a common form of internal controls which are designed to ensure that the cash transactions which have been processed are the same as those that are reflected on the monthly bank statement. An additional related control would be the signing and dating of the bank reconciliation by the individual preparing it to determine by whom the reconciliation was prepared and whether it was prepared in a timely manner. In addition, bank reconciliations should be reviewed by an individual outside of the cash processing function and should be signed and dated by this individual to document the review.

Effect and cause:

Without monthly bank reconciliations being prepared and containing the appropriate documentation regarding by whom and when they were prepared and reviewed throughout the fiscal year, it is difficult to be confident that an accurate financial picture of the assets of the Town is available at all times 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' specific assets are being safeguarded. It would appear that the main reason for this condition would be the change in the school business manager position and the amount of time necessary to successfully complete the transition and the fact that this transition seemed to occur during the annual budget preparation process. In addition, during a discussion with the current school business manager during the audit it was determined that the aforementioned separate program could not be located on the computer at this time.

Recommendation:

We recommend that a more detailed review be made to determine if the aforementioned separate program can be found and the applicable school lunch activity be entered and any outstanding bank reconciliations be completed. If the separate program cannot be found then we would recommend creating a new fund on the current accounting software program to account for the activity of the school lunch program.

Views of responsible officials and planned corrective actions:

We have discussed this finding with our auditor and we do understand the importance of adequate internal controls over the cash account of the school lunch program. We are currently trying to determine if the separate program which was used in the past can be located and if not what would be the best course of action. We are currently working on comparing external deposit reports from the State of Connecticut and our food services vendor to the bank statements and plan on going back through the entire 15-16 fiscal year to ensure that the reported income matches the recorded bank deposits.

**Town of Lebanon, Connecticut**  
Schedule of findings and questioned costs (continued)  
June 30, 2016

**16-04 - Review of monthly bank account reconciliations**

Criteria:

The management of the Town and the Board of Education are 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 in addition to ensuring that the assets of the Town are being safeguarded.

Condition and context:

The Board of Education writes its general fund accounts payable checks out of a separate checking which is recorded on both the town and the school trial balance. In addition, the Board of Education writes its school grants accounts payable checks out of a separate checking account which is only recorded on the schools trial balance. The manual bank reconciliations for these two accounts are currently being prepared by the school business manager and they are signed and dated when completed. It would appear that the school general fund account reconciliations are not being forwarded to the town for review and the school grants account reconciliations are not being signed off as being reviewed by someone outside of the school accounting function. In addition, neither of the cash account details within the school trial balance reflect the entry of any actual cash account deposits. As a result the actual recorded cash account balance is not reflected of the true cash account balance. We do consider this condition to represent a significant deficiency in internal control over financial reporting.

Since the Lebanon public schools are in effect a department of the Town the assets of the school are considered assets of the Town from an accounting point of view. As the school represents a department of the Town the school grants would represent a special revenue fund of the Town. Therefore these cash accounts represents assets of the Town and therefore certain internal controls should be in place to ensure the safeguarding of these specific assets. Monthly bank reconciliations are a common form of internal controls which are designed to ensure that the cash transactions which have been processed are the same as those that are reflected on the monthly bank statement. An additional related control would be the signing and dating of the bank reconciliation by the individual preparing it to determine by whom the reconciliation was prepared and whether it was prepared in a timely manner which is currently being done by the school business manager. In addition, bank reconciliations should be reviewed by an individual outside of the cash processing function and should be signed and dated by this individual to document the review which does not appear as though it is being adequately performed at the current time.

Effect and cause:

Without monthly bank reconciliations containing the appropriate documentation regarding by whom and when they were reviewed, it is difficult to be confident that an accurate financial picture of the assets of the Town is available at all times 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' specific assets are being safeguarded. In addition, the purpose of a review by an individual outside of the accounting function is to question items and variances that may occur and ensure that they are corrected. An explanation of any such items and or variances that may occur is important in ensuring the safeguarding of the assets of the Town. It would appear that the current manual reconciliation process was in place when the new school business manager started and has simply been continued during the transition process.

Recommendation:

We recommend that the actual deposit activity of both of the aforementioned school cash accounts be entered into the school trial balance and that system generated reconciliations be prepared using the available reconciliation module rather than preparing manual reconciliations. We also recommend that the school accounts payable checking account reconciliations be forwarded to the Town Treasurer for monthly review and the school grant checking account reconciliations be forwarded to a member of management outside of the school accounting function for monthly review..

Views of responsible officials and planned corrective actions:

We have discussed this finding with our auditor and we do understand the importance of an adequate bank reconciliation and review process and set of procedures. We plan on reviewing the current process which is in place and determine what improvements can be made to all of the bank account reconciliations prepared by the school finance office.

# Stephen T. Hopkins, CPA, PC

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## Auditing, Accounting, and Consulting Services

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Independent Auditors Report on Compliance for each major state program and  
Internal control over compliance and the Schedule of expenditures of state  
financial assistance required by the State Single Audit Act

Board of Finance  
Board of Selectmen  
Town of Lebanon, Connecticut

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

We have audited the Town of Lebanon, Connecticut's compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the Town of Lebanon, Connecticut's major state programs for the year ended June 30, 2016. The Town of Lebanon, Connecticut's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

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

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

In our opinion, the Town of Lebanon, Connecticut, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2016.

## **Report on Internal Control Over Compliance**

Management of the Town of Lebanon, Connecticut, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Lebanon, Connecticut's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town 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. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, 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, 2016, and the related notes to the financial statements, which collectively comprise the Town of Lebanon, Connecticut's basic financial statements, and have issued our report thereon dated February 8, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Lebanon, Connecticut's basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

Stephen T. Hopkins, CPA, PC

*Stephen T. Hopkins, CPA, PC*

Scarborough, Maine  
February 8, 2017

**Town of Lebanon, Connecticut**  
Schedule of expenditures of state financial assistance  
For the year ended June 30, 2016

State grantor/pass through Grantor/program title	State grant program Core-CT number	Expenditures
<b><u>Office of Policy and Management:</u></b>		
Disabled program	11000-OPM20600-17011-2016	\$ 797
Property tax relief for elderly and totally disabled homeowners	11000-OPM20600-17018-2016	32,940
Property tax relief for veterans	11000-OPM20600-17024-2016	4,658
Local capital improvement	12050-OPM20600-40254-2016	72,023
Municipal purposes and projects	12052-OPM20600-43587-2016	30,427
<b><u>Department of Education:</u></b>		
Child nutrition program state match	11000-SDE64370-16211-2016	3,786
Healthy food initiative	11000-SDE64370-16212-2016	7,781
Vocational Agriculture	11000-SDE64370-17017-2016	281,963
Vocational Agriculture	11000-SDE64370-17017-2015	718
Adult education	11000-SDE64370-17030-2016	8,214
School breakfast program	11000-SDE64370-17046-2016	9,058
High quality schools start-up	12052-SDE64370-43538-2016	22,707
<b><u>Office of Early Childhood:</u></b>		
School readiness	11000-OEC64845-12113-2016	112,816
School readiness quality enhancement	11000-OEC64845-17097-2016	3,881
<b><u>Connecticut State Library:</u></b>		
Grants to public libraries	11000-CSL66051-17003-2016	1,087
Connecticard payments	11000-CSL66051-17010-2016	1,711
Historic documents preservation grant	12060-CSL66094-35150-2016	3,000
<b><u>Department of Transportation:</u></b>		
Bus operations	12001-DOT57931-12175-2016	32,597
Town aid road grants	12052-DOT57131-43455-2016	335,709
<b><u>Department of Agriculture:</u></b>		
Agricultural viability	12060-DAG42710-90456-2014	13,741
Farmland preservation	12060-DAG42720-90460-2016	138
<b><u>Department of Environmental Protection:</u></b>		
State open space program	17081-DEP43153-43343-2016	3,436
<b><u>Other Departments and miscellaneous awards:</u></b>		
Non-budgeted operating appropriations	34001-JUD95162-40001-2016	2,120
Vocational rehabilitation	11000-SDR63620-16004-2016	1,768
Other expenses	11000-DRS16312-10020-2016	30
Other expenses	11000-DSS60439-10020-2016	10
Energy conservation administration	12033-DOH46925-40215-2016	20
Total State Financial Assistance before exempt programs		<u>\$ 987,136</u>

**Town of Lebanon, Connecticut**  
 Schedule of expenditures of state financial assistance (continued)  
 For the year ended June 30, 2016

State grantor/pass through Grantor/program title	State grant program Core-CT number	Expenditures
Exempt Programs		
<b><u>State Department of Education:</u></b>		
Transportation of school children	11000-SDE64370-17027-2016	\$ 73,839
Education equalization grants program 82010	11000-SDE64370-17041-2016	5,476,521
Special education excess costs	11000-SDE64370-17047-2016	446,616
<b><u>Office of Policy and Management:</u></b>		
Mashantucket Pequot Grant	12009-OPM20600-17005-2016	35,167
Total exempt programs		6,032,143
Total expenditures of State Financial Assistance		\$ 7,019,279

**Town of Lebanon, Connecticut**  
Notes to Schedule of expenditures of state financial assistance  
For the year ended June 30, 2016

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, 2016

I. Summary of Audit Results

**Financial Statements**

Type of auditor's report issued: Unmodified

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 Unmodified

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 \$987,136, 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 \$100,000. The Town of Lebanon has three Type A programs for the current fiscal year based on the \$100,000 dollar threshold and therefore all of its remaining programs would be considered Type B programs. The Town has four 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 three Type A programs were determined to be high-risk and therefore were audited as major programs. The four Type B programs of the Town for which a risk assessment was required were determined not to be high-risk and thus were not audited as major programs. The total non-exempt state financial assistance expended by the Town for the current audit period was \$987,136. The programs tested as major and shown below represent approximately 74% of the total non-exempt state financial assistance expended.

State grantor and program	State grant program Core-CT number	Expenditures
Vocational Agriculture	11000-SDE64370-17017-2016	\$ 281,963
School readiness	11000-OEC64845-12113-2016	112,816
Town aid road grants	12052-DOT57131-43455-2016	335,709
		\$ 730,488

- Dollar threshold used to distinguish between Type A and Type B programs: \$ 100,000

**Town of Lebanon, Connecticut**  
Schedule of findings and questioned costs (continued)  
For the year ended June 30, 2016

**II. Financial Statement Findings**

- We issued our report, dated February 8, 2017, 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 four 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 16-01 through 16-04 starting on page 84. 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.

**IV. Summary Schedule of Prior Audit Findings**

- There were no findings and questioned costs related to state financial assistance award programs reported in the audit report for the auditee for the year ended June 30, 2015. Therefore, no schedule has been included.