

Town of Lebanon, Connecticut

State & Federal Compliance Audit

June 30, 2017

Stephen T. Hopkins, CPA, PC

Auditing, Accounting, and Consulting Services

Town of Lebanon, Connecticut

June 30, 2017

Contents

Financial Section:	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
 Required supplementary information:	
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
 Other information:	
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 permanent funds	67 - 69
Combining Statement of fiduciary net position and Statement of changes in fiduciary net position for:	
Schedule D - Private purpose trust funds	70 - 71
Combining Balance sheet and or Statement of revenues, expenditures, and changes in fund balances for:	
Sub-Schedule A - Trumbull investment funds	72
Sub-Schedule B - Town capital funds	73 - 74
Sub-Schedule C - Capital non-recurring fund	75 - 76
Sub-Schedule D - Small cities program funds	77
Other Schedules:	
Sub-Schedule E - Schedule of property taxes levied, collections and outstanding balances	78 - 79
Sub-Schedule F - Schedule of debt limitation - Connecticut General Statutes, Section 7-374 (B)	80

Town of Lebanon, Connecticut

June 30, 2017

Contents

Federal Compliance Section:	Page
Independent Auditors Report on Compliance for each major federal program and Internal control over compliance and the Schedule of expenditures of federal awards required by the Uniform Guidance	81 - 82
Schedule of expenditures of federal awards	83
Notes to Schedule of expenditures of federal awards	84
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>	85 - 86
Schedule of findings and questioned costs	87 - 90
 State Compliance Section:	
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	91 - 92
Schedule of expenditures of state financial assistance	93 - 94
Notes to Schedule of expenditures of state financial assistance	95
Schedule of findings and questioned costs	96 - 97

Stephen T. Hopkins, CPA, PC

Auditing, Accounting, and Consulting Services

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

Independent Auditors' Report

Board of Finance
Board of Selectmen
Town of Lebanon, Connecticut

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, 2017, 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 above 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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 debt limitation, the schedule of property taxes levied, collections and outstanding balances, the schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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 debt limitation, the schedule of property taxes levied, collections and outstanding balances, the schedule of expenditures of federal awards and the schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 December 23, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Lebanon, Connecticut's 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



Scarborough, Maine
December 23, 2017

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2017

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, 2017. 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 \$43,146,529 (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 \$41,836,606. This represents a favorable increase of \$1,309,923 or approximately 3.13%.
- 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 \$32,552,663 as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$32,317,677. This represents an increase of approximately .73% which is the result of a decrease in the related long-term debt of (\$561,299), new debt in the amount of \$81,823, current depreciation in the amount of \$1,781,188 and current net capital asset additions in the amount of \$1,536,698.
- 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 \$4,693,526 as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$4,659,941. This represents an increase of approximately .72%. This increase is due in large part to an increase in the small cities program fund in the amount of \$207,295 and the current fiscal year decrease in school general fund encumbrances from \$280,098 in the prior fiscal year to \$49,526 for the current 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 \$5,900,340 as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$4,858,988. This represents a favorable increase of approximately 21.43%. 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 \$30,489,650 for the current fiscal year. This compares to the prior fiscal year balance of \$29,418,692. This represents an increase of \$1,070,958 or approximately 3.64%. This is due to a number of increases in revenue categories such as property tax revenues which increased by \$617,623, the change in investment fair value which increased by \$89,009, operating grants and contributions which increased by \$221,231 and charges for services which increased by \$146,595.
- The cost of the Town's governmental activities was \$29,179,727 for the current fiscal year. The amount of these costs ultimately financed by general revenues of the Town, however, was only \$18,036,932 due to a portion of these costs being paid for by individuals receiving certain benefits through charges for services in the amount of \$1,526,053 and through operating and capital grants received from the State (state and federal dollars) in the amount of \$9,616,742. This amounts to approximately 61.81% of the cost of these governmental activities actually being financed by the general revenues of the Town. This compares to approximately 61.02% 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 \$1,140,806 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 \$999,499 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, 2017

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 approximately \$372,809 leaving a current and long-term receivable amount due of \$3,237,790. Current fiscal year borrowed interest collections totaled approximately \$91,926 including currently billed amounts and previously billed amounts leaving a outstanding receivable of \$23,927. Current fiscal year user fee collections totaled approximately \$185,842 including currently billed amounts and previously billed amounts leaving a outstanding receivable of \$16,524.

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, 2017

- **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, 2017

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 3.66 to 1 compared to the end of the prior fiscal year when the total current ratio was 2.61 to 1. Another indication of the Town's ability to meet its current obligations with current assets is called its working capital. This is calculated by subtracting the current liabilities 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 \$9,585,885. This compares to the prior fiscal year positive balance of \$8,376,745.

	Governmental activities		Business-type activities		Totals	
	2017	2016	2017	2016	2017	2016
Current assets	\$12,243,897	\$12,550,388	\$ 946,624	\$ 1,016,392	\$13,190,521	\$13,566,780
Other assets	3,854,298	3,930,583	3,905,563	3,987,501	7,759,861	7,918,084
Capital assets	34,355,642	34,600,132	6,156,717	6,243,431	40,512,359	40,843,563
	<u>50,453,837</u>	<u>51,081,103</u>	<u>11,008,904</u>	<u>11,247,324</u>	<u>61,462,741</u>	<u>62,328,427</u>
Deferred outflows of resources	486,159	178,381	-	-	486,159	178,381
Current liabilities	2,899,640	4,508,695	38,030	26,950	2,937,670	4,535,645
Non-current liabilities						
Due within one year	574,242	566,269	92,724	88,121	666,966	654,390
Due after one year	4,319,585	4,347,914	4,333,692	4,522,400	8,653,277	8,870,314
	<u>7,793,467</u>	<u>9,422,878</u>	<u>4,464,446</u>	<u>4,637,471</u>	<u>12,257,913</u>	<u>14,060,349</u>
Net position:						
Net Investment capital assets	32,552,663	32,317,677	1,730,301	1,632,910	34,282,964	33,950,587
Restricted	4,693,526	4,659,941	-	-	4,693,526	4,659,941
Unrestricted	5,900,340	4,858,988	4,814,157	4,976,943	10,714,497	9,835,931
	<u>\$43,146,529</u>	<u>\$41,836,606</u>	<u>\$ 6,544,458</u>	<u>\$ 6,609,853</u>	<u>\$49,690,987</u>	<u>\$48,446,459</u>
Restricted net position:						
Expendable:						
Restricted investment funds	\$ 2,873,995	\$ 2,795,145	\$ -	\$ -	\$ 2,873,995	\$ 2,795,145
Restricted donation funds	291,584	326,139	-	-	291,584	326,139
Enabling legislation funds	76,672	69,457	-	-	76,672	69,457
Community projects	1,021,653	814,358	-	-	1,021,653	814,358
Encumbrances	49,526	280,098	-	-	49,526	280,098
Permanent funds residual	42,372	32,979	-	-	42,372	32,979
	<u>4,355,802</u>	<u>4,318,176</u>	<u>-</u>	<u>-</u>	<u>4,355,802</u>	<u>4,318,176</u>
Non-expendable:						
Prepays and inventory	18,452	19,493	-	-	18,452	19,493
Permanent funds principal	319,272	322,272	-	-	319,272	322,272
	<u>337,724</u>	<u>341,765</u>	<u>-</u>	<u>-</u>	<u>337,724</u>	<u>341,765</u>
	<u>\$ 4,693,526</u>	<u>\$ 4,659,941</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,693,526</u>	<u>\$ 4,659,941</u>

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2017

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	
	2017	2016	2017	2016	2017	2016
Program revenues						
Charges for services	\$ 1,526,053	\$ 1,379,458	\$ 281,229	\$ 279,415	\$ 1,807,282	\$ 1,658,873
Operating grants	9,545,046	9,323,815	-	-	9,545,046	9,323,815
Capital grants	71,696	72,023	-	-	71,696	72,023
General revenues						
Property tax revenues	18,359,424	17,741,801	-	-	18,359,424	17,741,801
State tax relief revenues	47,709	38,395	-	-	47,709	38,395
Other state revenues	213,729	65,864	-	-	213,729	65,864
Investment fair value change	89,009	275,408	-	-	89,009	275,408
Interest and dividends	133,329	125,997	1,677	1,678	135,006	127,675
Miscellaneous	478,281	375,931	14,399	6,175	492,680	382,106
Transfers	25,374	20,000	-28,632	-20,000	-3,258	-
Total revenues	<u>30,489,650</u>	<u>29,418,692</u>	<u>268,673</u>	<u>267,268</u>	<u>30,758,323</u>	<u>29,685,960</u>
Expenses						
General government	1,004,444	948,316	-	-	1,004,444	948,316
Public safety	642,565	632,068	-	-	642,565	632,068
Public works	1,524,723	1,495,182	-	-	1,524,723	1,495,182
Education	21,250,590	20,379,268	-	-	21,250,590	20,379,268
Education - on behalf	1,993,866	1,917,092	-	-	1,993,866	1,917,092
Health & social	970,162	948,135	-	-	970,162	948,135
Community preservation	203,241	160,144	-	-	203,241	160,144
Unclassified and program	1,007,255	588,890	-	-	1,007,255	588,890
Capital outlay	-	-	-	-	-	-
Depreciation						
General infrastructure	507,370	490,104	-	-	507,370	490,104
Debt service						
Interest	75,511	88,235	115,895	117,099	191,406	205,334
Sewer	-	-	218,173	150,162	218,173	150,162
Total expenses	<u>29,179,727</u>	<u>27,647,434</u>	<u>334,068</u>	<u>267,261</u>	<u>29,513,795</u>	<u>27,914,695</u>
Change in net position	1,309,923	1,771,258	-65,395	7	1,244,528	1,771,265
Net position - July 1	41,836,606	40,065,348	6,609,853	6,609,846	48,446,459	46,675,194
Net position - June 30	<u>\$43,146,529</u>	<u>\$41,836,606</u>	<u>\$ 6,544,458</u>	<u>\$ 6,609,853</u>	<u>\$49,690,987</u>	<u>\$48,446,459</u>
Financed by general revenues:						
Total expenses	\$29,179,727	\$27,647,434	\$ 334,068	\$ 267,261	\$29,513,795	\$27,914,695
Less charges for services	-1,526,053	-1,379,458	-281,229	-279,415	-1,807,282	-1,658,873
Less operating grants	-9,545,046	-9,323,815	-	-	-9,545,046	-9,323,815
Less capital grants	-71,696	-72,023	-	-	-71,696	-72,023
	<u>\$18,036,932</u>	<u>\$16,872,138</u>	<u>\$ 52,839</u>	<u>\$ -12,154</u>	<u>\$18,089,771</u>	<u>\$16,859,984</u>

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2017

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	
	2017	2016	2017	2016	2017	2016
Land and improvements	\$ 2,228,189	\$ 2,228,189	\$ -	\$ -	\$ 2,228,189	\$ 2,228,189
Buildings and improvements	37,093,685	36,956,148	-	-	37,093,685	36,956,148
Vehicles	4,416,725	4,115,864	-	-	4,416,725	4,115,864
Equipment	1,449,533	1,264,290	-	-	1,449,533	1,264,290
Infrastructure	29,760,221	28,854,239	-	-	29,760,221	28,854,239
Sewage system	-	-	6,503,574	6,503,574	6,503,574	6,503,574
Construction in progress	108,844	101,769	-	-	108,844	101,769
Total historical value	<u>75,057,197</u>	<u>73,520,499</u>	<u>6,503,574</u>	<u>6,503,574</u>	<u>81,560,771</u>	<u>80,024,073</u>
Less accumulated depreciation	<u>-40,701,555</u>	<u>-38,920,367</u>	<u>-346,856</u>	<u>-260,143</u>	<u>-41,048,411</u>	<u>-39,180,510</u>
Total capital assets (net)	<u>\$34,355,642</u>	<u>\$34,600,132</u>	<u>\$ 6,156,718</u>	<u>\$ 6,243,431</u>	<u>\$40,512,360</u>	<u>\$40,843,563</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 F on page 80. More detailed information on the Town debt can be found in note 6 on pages 41 and 42.

	Governmental activities		Business-type activities		Totals	
	2017	2016	2017	2016	2017	2016
Outstanding payables:						
Portion due within one year	\$ 553,163	\$ 545,190	\$ 92,724	\$ 88,121	\$ 645,887	\$ 633,311
Portion due after one year	1,249,816	1,737,265	4,333,692	4,522,400	5,583,508	6,259,665
Other liabilities:						
Accrued compensated absences						
School employees	34,597	38,837	-	-	34,597	38,837
Town employees	47,045	39,851	-	-	47,045	39,851
Accrued landfill post-closure	30,631	42,631	-	-	30,631	42,631
Pension contribution payable	9,079	18,158	-	-	9,079	18,158
Net pension liability	1,007,396	656,951	-	-	1,007,396	656,951
Other postemployment benefits	1,962,100	1,835,300	-	-	1,962,100	1,835,300
Total debt	<u>\$ 4,893,827</u>	<u>\$ 4,914,183</u>	<u>\$ 4,426,416</u>	<u>\$ 4,610,521</u>	<u>\$ 9,320,243</u>	<u>\$ 9,524,704</u>

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2017

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 \$12,768,621 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 \$11,335,659, a favorable increase of \$1,432,962 or approximately 12.64%. This favorable increase is due to the positive results of the general fund of \$1,037,264, the Trumbull investment funds of \$78,850, the town capital funds of \$99,555, the small cities program funds of \$207,295 and the non-major governmental funds of \$9,998. These increases 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 \$30,684,831 for the current fiscal year in comparison to \$29,172,600 in the prior fiscal year. This represents an increase of \$1,512,231 or approximately 5.18%. This is due in large part to the current year change in property tax revenues which was a positive increase in the amount of \$860,962. 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 positive \$496,379 while the current year change in intergovernmental education revenue was a negative (\$7,086) due to changes in state funding.
- The total expenditures of the Town's governmental funds were \$29,359,066 for the current fiscal year in comparison to \$28,010,799 in the prior fiscal year. This represents an increase of \$1,348,267 or approximately 4.81%. This increase is made up a number of increases and decrease within the funds of the Town. The town capital funds increased its expenditures by \$211,977 due in part to the town bridge projects in the amount of \$427,785 and reduced expenditures for the capital non-recurring fund of (\$167,510). The small cities program funds increased its expenditures by \$338,850 due in part to the new grant. There were a number of other expenditure account increases and decreases from the prior fiscal year to the current fiscal year which affected the overall increase.
- The net change in fund balance (excess or deficiency of revenues over-under expenditures) for the Town's general fund was a positive \$1,037,264 for the current fiscal year in comparison to a positive \$1,033,243 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 \$857,874 higher than the budgeted revenues for the current fiscal year which is a favorable variance in comparison to \$352,619 higher for the prior fiscal year which was also a favorable variance. The current fiscal year actual school tuition revenue received was \$183,559 higher than the budgeted amount in comparison to \$170,466 higher for the prior fiscal year. The current fiscal year actual revenue amounts received from the State for education costsharing and related revenues were \$9,351 higher than the budgeted amount in comparison to (\$77,551) lower for the prior fiscal year. The current fiscal year recorded tax revenues were \$342,423 higher than the budgeted amount in comparison to \$101,375 higher for the prior fiscal year.
- The actual program expenditures in the Town's general fund were \$857,842 lower than the adjusted budgeted expenditures for the current fiscal year which is a favorable variance in comparison to \$555,091 lower than the adjusted budgeted expenditures for the prior fiscal year which was also a favorable variance. This current fiscal year under expenditure can be attributed in large part to the board of education which was \$420,609 under the original budget, the contingency account which was \$127,724 under the original budget, the medical life dental insurance account which was \$32,877 under the original budget and the solid waste facility account which was \$31,027 under the adjusted budget amount.
- In the current fiscal year, the inhabitants of the Town approved the use of \$317,749 of its unassigned general fund balance relating to the Town green quieting title project in the amount of \$250,000, a public works garage site assessment in the amount of \$40,000 and to absorb a prior fiscal year school grant deficit in the amount of \$27,749. The Board of Finance also voted to approve the transfer of \$190,539 which represented a portion of the remaining unspent education budget from the unassigned general fund balance to the school capital fund in accordance with State legislature section 10-248a. 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, 2017

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, 2017

	Primary government			Component unit
	Governmental activities	Business-type activities	Total	Volunteer fire department
Assets:				
Current assets:				
Cash	\$ 2,384,760	\$ 100	\$ 2,384,860	\$ 174,792
Investments	9,394,064	673,417	10,067,481	600,979
Accounts receivable	433,260	273,107	706,367	48
Tax acquired property	13,361	-	13,361	-
Inventory	13,734	-	13,734	-
Prepaid items	4,718	-	4,718	-
Total current assets	12,243,897	946,624	13,190,521	775,819
Capital assets				
Non-depreciable	2,337,033	-	2,337,033	-
Depreciable (net)	32,018,609	6,156,717	38,175,326	127,160
Total capital assets	34,355,642	6,156,717	40,512,359	127,160
Other assets				
Restricted cash	440,104	-	440,104	-
Restricted investments	3,225,214	-	3,225,214	-
Long-term accounts receivable	82,415	-	82,415	-
Notes receivable	1,005,155	3,006,973	4,012,128	-
Internal balances	-898,590	898,590	-	-
Total other assets	3,854,298	3,905,563	7,759,861	-
Total Assets	50,453,837	11,008,904	61,462,741	902,979
Deferred outflows of resources				
Pensions	486,159	-	486,159	-
Liabilities:				
Accounts payable	429,761	10,753	440,514	53,183
Accrued hourly payroll	52,706	-	52,706	-
Other liabilities	86,858	-	86,858	-
Due to other funds	817	-	817	-
Unearned revenues	89,498	27,277	116,775	-
Bond anticipation note payable	2,240,000	-	2,240,000	-
Noncurrent liabilities:				
Portion due within one year	574,242	92,724	666,966	-
Portion due after one year	4,319,585	4,333,692	8,653,277	-
Total liabilities	7,793,467	4,464,446	12,257,913	53,183
Net Position:				
Net Investment in capital assets	32,552,663	1,730,301	34,282,964	127,160
Restricted				
Expendable	4,355,802	-	4,355,802	-
Non-expendable	337,724	-	337,724	-
Unrestricted	5,900,340	4,814,157	10,714,497	722,636
Total net position	\$ 43,146,529	\$ 6,544,458	\$ 49,690,987	\$ 849,796

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Statement of activities
For the year ended June 30, 2017

Primary government:	Expenses	Program Revenues		
		Charges for services	Operating grants and contributions	Capital grants and contributions
Governmental activities:				
General government	\$ -1,004,444	\$ 126,187	\$ 8,000	\$ -
Public safety	-642,565	131,900	2,775	-
Public works	-1,524,723	110,072	303,040	-
Education	-21,250,590	1,078,891	6,831,312	-
Education - on behalf	-1,993,866	-	1,993,866	-
Health & social	-970,162	62,026	33,968	-
Community preservation	-203,241	16,977	20,000	-
Unclassified and program	-1,007,255	-	352,085	-
Capital outlay	-	-	-	71,696
Depreciation				
General infrastructure	-507,370	-	-	-
Debt service				
Interest	-75,511	-	-	-
Total governmental activities	<u>-29,179,727</u>	<u>1,526,053</u>	<u>9,545,046</u>	<u>71,696</u>
Business-type activities:				
WPCA operating fund	-131,309	173,766	-	-
WPCA benefit assessments fund	-202,759	107,463	-	-
Total business-type activities	<u>-334,068</u>	<u>281,229</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ -29,513,795</u>	<u>\$ 1,807,282</u>	<u>\$ 9,545,046</u>	<u>\$ 71,696</u>
Component unit:				
Volunteer fire department	<u>\$ -344,377</u>	<u>\$ 168,781</u>	<u>\$ 176,919</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, 2017

	Net (expenses) revenues and changes in net position			
	Primary government			Component unit
	Governmental activities	Business-type activities	Total	Volunteer fire department
Primary government:				
Governmental activities:				
General government	\$ -870,257	\$ -	\$ -870,257	\$ -
Public safety	-507,890	-	-507,890	-
Public works	-1,111,611	-	-1,111,611	-
Education	-13,340,387	-	-13,340,387	-
Education - on behalf	-	-	-	-
Health & social	-874,168	-	-874,168	-
Community preservation	-166,264	-	-166,264	-
Unclassified and program	-655,170	-	-655,170	-
Capital outlay	71,696	-	71,696	-
Depreciation				
General infrastructure	-507,370	-	-507,370	-
Debt service				
Interest	-75,511	-	-75,511	-
Total governmental activities	-18,036,932	-	-18,036,932	-
Business-type activities:				
WPCA operating fund	-	42,457	42,457	-
WPCA benefit assessments fund	-	-95,296	-95,296	-
Total business-type activities	-	-52,839	-52,839	-
Total primary government	-18,036,932	-52,839	-18,089,771	-
Component unit:				
Volunteer fire department	-	-	-	1,323
General revenues:				
Property tax revenues	18,359,424	-	18,359,424	-
State property tax relief revenues	47,709	-	47,709	-
Other unclassified state revenues	213,729	-	213,729	-
Net change in fair value of investments	89,009	-	89,009	16,288
Interest and dividends	133,329	1,677	135,006	11,998
Miscellaneous	478,281	14,399	492,680	25,759
Transfers - Note 4	25,374	-28,632	-3,258	-
Total general revenues	19,346,855	-12,556	19,334,299	54,045
Change in net position	1,309,923	-65,395	1,244,528	55,368
Net position - July 1	41,836,606	6,609,853	48,446,459	794,428
Net position - June 30	\$ 43,146,529	\$ 6,544,458	\$ 49,690,987	\$ 849,796

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Balance sheet - Governmental funds
June 30, 2017

	General fund	Trumbull investment funds	Town capital funds	Small cities program funds	Non-major governmental funds	Totals
Assets						
Cash	\$ 2,230,179	\$ -	\$ -	\$ 16,498	\$ 472,995	\$ 2,719,672
Investments	7,111,904	2,873,995	2,267,562	-	365,817	12,619,278
Receivables (net of allowance)						
Property taxes	380,558	-	-	-	-	380,558
Intergovernmental	12,255	-	-	11,200	27,253	50,708
Other	1,994	-	-	-	-	1,994
Notes receivable	-	-	-	1,005,155	-	1,005,155
Tax acquired property	13,361	-	-	-	-	13,361
Inventory	-	-	-	-	13,734	13,734
Prepaid items	3,218	-	-	-	1,500	4,718
Due from proprietary funds	38,487	-	-	-	-	38,487
Due from other funds	774,453	-	1,837,546	-	966,244	3,578,243
Total assets	<u>\$ 10,566,409</u>	<u>\$ 2,873,995</u>	<u>\$ 4,105,108</u>	<u>\$ 1,032,853</u>	<u>\$ 1,847,543</u>	<u>\$ 20,425,908</u>
Liabilities						
Accounts payable	\$ 338,560	\$ -	\$ 32,838	\$ 11,200	\$ 45,949	\$ 428,547
Accrued hourly payroll	44,554	-	-	-	8,152	52,706
Other liabilities	85,958	-	-	-	900	86,858
Unearned revenues	43,649	-	-	-	-	43,649
Bond anticipation note	-	-	2,240,000	-	-	2,240,000
Due to proprietary funds	898,590	-	-	-	-	898,590
Due to private purpose trust funds	817	-	-	-	-	817
Due to other funds	2,802,670	-	509,497	-	266,076	3,578,243
Total liabilities	<u>4,214,798</u>	<u>-</u>	<u>2,782,335</u>	<u>11,200</u>	<u>321,077</u>	<u>7,329,410</u>
Deferred inflows of resources						
Unavailable revenue -						
Property taxes	327,877	-	-	-	-	327,877
Fund balances						
Nonspendable	3,218	-	-	-	334,506	337,724
Restricted	-	2,873,995	-	1,021,653	455,161	4,350,809
Committed	-	-	1,815,194	-	501,519	2,316,713
Assigned	49,526	-	-	-	236,275	285,801
Unassigned	5,970,990	-	-492,421	-	-995	5,477,574
Total fund balances	<u>6,023,734</u>	<u>2,873,995</u>	<u>1,322,773</u>	<u>1,021,653</u>	<u>1,526,466</u>	<u>12,768,621</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,566,409</u>	<u>\$ 2,873,995</u>	<u>\$ 4,105,108</u>	<u>\$ 1,032,853</u>	<u>\$ 1,847,543</u>	<u>\$ 20,425,908</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, 2017

Fund balances of governmental funds as shown on Statement C			\$ 12,768,621
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	75,057,197		
Less accumulated depreciation	<u>-40,701,555</u>	34,355,642	
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:		327,877	
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:		-45,849	
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	486,159		
Deferred inflows of resources	<u>-</u>	486,159	
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	-1,802,979		
Accrued compensated balances	-81,642		
Accrued landfill post-closure costs	-30,631		
Pension obligation payable	-9,079		
Net pension liability	-1,007,396		
Other post-employment benefits liability	<u>-1,962,100</u>	-4,893,827	
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:		82,415	
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:		<u>65,491</u>	
Net position of governmental activities as shown on Statement A			<u>\$ 43,146,529</u>

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Statement of revenues, expenditures, and changes in fund balances - Governmental funds
For the year ended June 30, 2017

	General fund	Trumbull investment funds	Town capital funds	Small cities program funds	Non-major governmental funds	Totals
Revenues						
Property tax revenues	\$ 18,564,207	\$ -	\$ -	\$ -	\$ -	\$ 18,564,207
Intergovernmental - education	5,683,930	-	-	-	1,140,806	6,824,736
Intergovernmental - on behalf	1,993,866	-	-	-	-	1,993,866
Intergovernmental - tax relief	47,709	-	-	-	-	47,709
Intergovernmental - other	496,222	-	71,696	352,085	92,263	1,012,266
Tuition	875,574	-	-	-	-	875,574
Charges for services	375,846	-	-	-	274,633	650,479
Net change in investment fair value	-	78,789	-	-	10,220	89,009
Interest and dividends	24,859	90,439	6,043	-	11,988	133,329
Miscellaneous	115,971	100	11,000	259,690	106,895	493,656
Total revenues	28,178,184	169,328	88,739	611,775	1,636,805	30,684,831
Expenditures						
Current:						
General government	893,975	-	53,587	-	44,039	991,601
Public safety	463,654	-	-	-	10,387	474,041
Public works	1,253,138	-	104,193	-	23,322	1,380,653
Education	18,863,900	-	27,896	-	1,401,928	20,293,724
Education - on behalf	1,993,866	-	-	-	-	1,993,866
Health & social	195,531	-	237	-	691,279	887,047
Community preservation	141,869	-	33,297	-	28,075	203,241
Unclassified and program	601,512	-	-	404,480	-	1,005,992
Capital outlay	-	-	1,376,255	-	34,013	1,410,268
Non-cash capital lease purchase	-	-	81,823	-	-	81,823
Debt service:						
Principle	416,440	-	144,859	-	-	561,299
Interest	67,080	-	8,431	-	-	75,511
Total expenditures	24,890,965	-	1,830,578	404,480	2,233,043	29,359,066
Excess (deficiency) of revenues over (under) expenditures	3,287,219	169,328	-1,741,839	207,295	-596,238	1,325,765
Other financing sources (uses)						
Non-cash capital lease proceeds	-	-	81,823	-	-	81,823
Transfers in	60,408	-	1,790,939	-	610,474	1,970,146
Transfers out	-2,310,363	-90,478	-31,368	-	-4,238	-1,944,772
Total other financing sources (uses)	-2,249,955	-90,478	1,841,394	-	606,236	107,197
Net change in fund balance	1,037,264	78,850	99,555	207,295	9,998	1,432,962
Fund balances - July 1	4,986,470	2,795,145	1,223,218	814,358	1,516,468	11,335,659
Fund balances - June 30	\$ 6,023,734	\$ 2,873,995	\$ 1,322,773	\$ 1,021,653	\$ 1,526,466	\$ 12,768,621

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, 2017

Net changes in governmental fund balances as shown on Statement D \$ 1,432,962

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	1,536,698	
Current year depreciation expense on current and previous capital assets	-1,781,188	-244,490
- 2 Property tax revenues are recognized on Statement D as described in note 1E 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 1E must be eliminated: -153,976
- 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	30,077	
Current year revenue amounts to be recorded as unearned	-45,849	-15,772
- 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		298,275
---	--	---------
- 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	-128,520	
Current year employer pension contributions	138,023	9,503
- 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	561,299	
Non-cash capital lease proceeds	-81,823	
Accrued compensated balances increase	-2,954	
Accrued landfill post-closure costs decrease	12,000	
Net pension liability increase	-350,445	
Pension contribution payable decrease	9,079	
Other post-employment benefits liability increase	-126,800	20,356
- 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	-133,222	
Current year recorded delinquent interest and lien receivable balance	82,415	-50,807
- 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: 13,872

Change in net position of governmental activities as shown on Statement B \$ 1,309,923

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, 2017

	Original budget	Budget revisions	Final budget	Actual	Variance
Revenues					
Property tax revenues	\$ 18,221,784	\$ -	\$ 18,221,784	\$ 18,564,207	\$ 342,423
Intergovernmental - education	5,660,690	-	5,660,690	5,683,930	23,240
Intergovernmental - tax relief	38,358	-	38,358	47,709	9,351
Intergovernmental - other	346,447	-	346,447	496,222	149,775
Tuition	692,015	-	692,015	875,574	183,559
Charges for services	268,800	-	268,800	375,846	107,046
Interest and dividends	12,000	-	12,000	24,859	12,859
Miscellaneous	86,350	-	86,350	115,971	29,621
Total revenues	25,326,444	-	25,326,444	26,184,318	857,874
Expenditures					
General government:					
Legal counsel	25,500	-	25,500	23,646	1,854
Selectmen	134,493	-	134,493	128,527	5,966
Elections	43,459	-	43,459	30,480	12,979
Probate court	2,253	-	2,253	2,253	-
Board of finance	3,350	-	3,350	825	2,525
Finance office	151,725	-	151,725	137,980	13,745
Tax collector	79,648	-	79,648	61,399	18,249
Board of appeals	1,000	-	1,000	981	19
Town clerk	97,904	-	97,904	96,835	1,069
Assessor	73,420	-	73,420	71,192	2,228
Auditor	23,000	-	23,000	20,500	2,500
Town report	1,000	-	1,000	927	73
Computer service	117,032	-	117,032	106,029	11,003
Town hall	76,855	-	76,855	71,477	5,378
Insurance	167,215	-	167,215	140,924	26,291
	997,854	-	997,854	893,975	103,879
Public safety:					
Police services	231,524	-	231,524	212,122	19,402
Lebanon volunteer fire department	175,000	-	175,000	175,000	-
Fire marshal	19,139	-	19,139	15,779	3,360
Burning official	3,250	-	3,250	2,224	1,026
Building department	34,612	-	34,612	34,392	220
Fire safety complex	23,136	876	24,012	24,012	-
Tree warden	185	-	185	125	60
	486,846	876	487,722	463,654	24,068
Public works:					
Department of public works	745,767	-	745,767	733,070	12,697
Buildings and grounds	143,851	-	143,851	124,873	18,978
Snow removal	217,150	-	217,150	216,048	1,102
Street lights	1,300	1,400	2,700	2,366	334
Solid waste facility	193,299	-	193,299	162,272	31,027
Cemetery commission	13,560	-	13,560	13,481	79
Water pollution control	6,370	-	6,370	1,028	5,342
	1,321,297	1,400	1,322,697	1,253,138	69,559
Education	19,053,937	-	19,053,937	18,633,328	420,609

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, 2017

	Original budget	Budget revisions	Final budget	Actual	Variance
Health & social:					
Health department	\$ 47,400	\$ -	\$ 47,400	\$ 47,362	\$ 38
Vna	1,000	-	1,000	-	1,000
Human services	19,550	-	19,550	19,197	353
Wcmh Paramedic program	42,623	-	42,623	25,187	17,436
United services	5,252	-	5,252	5,252	-
Switch board	19,300	-	19,300	19,300	-
Special events	1,000	-	1,000	998	2
Senior center operations	80,951	-	80,951	78,235	2,716
	<u>217,076</u>	<u>-</u>	<u>217,076</u>	<u>195,531</u>	<u>21,545</u>
Community preservation:					
Planning and zoning	147,130	-	147,130	135,353	11,777
Zoning board of appeals	5,060	-	5,060	2,528	2,532
Economic development commission	2,000	-	2,000	1,968	32
Inland wetlands	2,000	-	2,000	1,825	175
Conservation commission	250	-	250	195	55
	<u>156,440</u>	<u>-</u>	<u>156,440</u>	<u>141,869</u>	<u>14,571</u>
Unclassified and program:					
Social security	123,968	-	123,968	102,097	21,871
Medical life dental insurance	377,792	-	377,792	344,915	32,877
Pension plan	170,540	-	170,540	151,652	18,888
Unemployment compensation	5,100	-	5,100	2,848	2,252
Contingency	130,000	-2,276	127,724	-	127,724
	<u>807,400</u>	<u>-2,276</u>	<u>805,124</u>	<u>601,512</u>	<u>203,612</u>
Debt service:					
Principal	416,440	-	416,440	416,440	-
Interest	67,079	-	67,079	67,080	-1
	<u>483,519</u>	<u>-</u>	<u>483,519</u>	<u>483,520</u>	<u>-1</u>
Total expenditures	<u>23,524,369</u>	<u>-</u>	<u>23,524,369</u>	<u>22,666,527</u>	<u>857,842</u>
Excess of revenues over (under) expenditures	<u>1,802,075</u>	<u>-</u>	<u>1,802,075</u>	<u>3,517,791</u>	<u>1,715,716</u>
Other financing sources (uses)					
Utilization of unassigned fund balance	-	508,288	508,288	-	-508,288
Transfers in	-	-	-	60,408	60,408
Transfers out	-1,802,075	-508,288	-2,310,363	-2,310,363	-
Total other financing sources (uses)	<u>-1,802,075</u>	<u>-</u>	<u>-1,802,075</u>	<u>-2,249,955</u>	<u>-447,880</u>
Net change in fund balance	-	-	-	1,267,836	1,267,836
Current year encumbrances				49,526	
Prior year encumbrances				-280,098	
Non-budgeted State on behalf revenue				1,993,866	
Non-budgeted State on behalf expenditure				-1,993,866	
Fund balances - July 1				<u>4,986,470</u>	
Fund Balance - June 30				<u>\$ 6,023,734</u>	

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Statement of net position
Proprietary funds
June 30, 2017

	Business-type activities			Governmental activities
	Enterprise funds			Internal service fund
	WPCA operating fund	WPCA assessment fund	Total	Dental fund
Assets:				
Current assets:				
Cash	\$ 100	\$ -	\$ 100	\$ 105,192
Investments	-	673,417	673,417	-
Accounts receivables	16,524	1,839	18,363	-
Current portion of benefit assessment notes	-	179,786	179,786	-
Delinquent benefit assessment notes	-	51,031	51,031	-
Delinquent borrowed interest receivable	-	23,927	23,927	-
Total assets	16,624	930,000	946,624	105,192
Capital assets				
Non-depreciable	-	-	-	-
Depreciable (net)	-	6,156,717	6,156,717	-
Total capital assets	-	6,156,717	6,156,717	-
Other assets				
Non-current portion of benefit assessment notes	-	3,006,973	3,006,973	-
Internal balances	366,286	532,304	898,590	-
Total other assets	366,286	3,539,277	3,905,563	-
Total Assets	\$ 382,910	\$ 10,625,994	\$ 11,008,904	\$ 105,192
Liabilities:				
Accounts payable	\$ 10,753	\$ -	\$ 10,753	\$ 1,214
Accrued hourly payroll	-	-	-	-
Unearned revenues	27,277	-	27,277	-
Due to other funds	-	-	-	38,487
Long-term debt				
Portion due within one year	-	92,724	92,724	-
Portion due after one year	-	4,333,692	4,333,692	-
Total liabilities	38,030	4,426,416	4,464,446	39,701
Net Position:				
Net investment in capital assets	-	1,730,301	1,730,301	-
Restricted				
Expendable	-	-	-	65,491
Non-expendable	-	-	-	-
Unrestricted	344,880	4,469,277	4,814,157	-
Total net position	344,880	6,199,578	6,544,458	65,491
Total liabilities and net position	\$ 382,910	\$ 10,625,994	\$ 11,008,904	\$ 105,192

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, 2017

	Business-type activities			Governmental activities
	Enterprise funds			Internal service fund
	WPCA operating fund	WPCA assessment fund	Total	Dental fund
Operating revenues:				
Benefits assessment	\$ -	\$ 16,683	\$ 16,683	\$ -
Borrowed interest assessment	-	90,780	90,780	-
Charges for services	173,766	-	173,766	174,771
Other fees	4,784	8,741	13,525	-
Other operating revenues	874	-	874	-
Total operating revenues	179,424	116,204	295,628	174,771
Operating expenses:				
Personal services	25,787	-	25,787	-
Contractual services	-	150	150	160,899
Operation and maintenance	104,282	-	104,282	-
Depreciation	-	86,714	86,714	-
Administrative costs	1,240	-	1,240	-
Total operating expenses	131,309	86,864	218,173	160,899
Total operating income (loss)	48,115	29,340	77,455	13,872
Nonoperating revenues (expenses):				
Investment earnings	-	1,677	1,677	-
Fiscal charges	-	-	-	-
Interest expense	-	-115,895	-115,895	-
Total nonoperating revenues (expenses)	-	-114,218	-114,218	-
Total Income (loss)	48,115	-84,878	-36,763	13,872
Contributions and transfers:				
Capital contributions	-	-	-	-
Transfers in	-	31,368	31,368	-
Transfers out	-60,000	-	-60,000	-
Total contributions and transfers	-60,000	31,368	-28,632	-
Change in net position	-11,885	-53,510	-65,395	13,872
Net position - July 1	356,765	6,253,088	6,609,853	51,619
Net position - June 30	\$ 344,880	\$ 6,199,578	\$ 6,544,458	\$ 65,491

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, 2017

	Business-type activities			Governmental activities
	Enterprise funds			Internal service fund
	WPCA operating fund	WPCA assessment fund	Total	Dental fund
Cash flows from operating activities:				
Receipts from employees and town	\$ -	\$ -	\$ -	\$ 185,217
Receipts from customers and users	196,712	473,477	670,189	-
Payments for goods and services	-99,296	-300	-99,596	-161,871
Payments to employees	-26,171	-	-26,171	-
Other items	285	-	285	-
Utilization of general fund cash account	-100,858	-204,545	-305,403	-
Net cash from operating activities	-29,328	268,632	239,304	23,346
Cash flows from noncapital financing activities:				
Transfers to or from other funds	-60,000	31,368	-28,632	-
Interest paid	-	-	-	-
Net cash from noncapital financial activities	-60,000	31,368	-28,632	-
Cash flows from capital and related financing activities:				
Principal payments of long-term debt	-	-184,105	-184,105	-
Interest payments of long-term debt	-	-115,895	-115,895	-
Net cash from capital and related financing activities	-	-300,000	-300,000	-
Cash flows from investing activities:				
Investment additions	-	-	-	-
Interest and other receipts	-	1,677	1,677	-
Net cash from investing activities	-	1,677	1,677	-
Change in cash and cash equivalents	-89,328	1,677	-87,651	23,346
Cash and cash equivalents - July 1	89,428	671,740	761,168	81,846
Cash and cash equivalents - June 30	\$ 100	\$ 673,417	\$ 673,517	\$ 105,192
Reconciliation of operating income (loss) to net cash from operating activities:				
Operating income (loss)	\$ 48,115	\$ 29,340	\$ 77,455	\$ 13,872
Adjustments:				
Depreciation	-	86,714	86,714	-
Changes in operating assets and liabilities				
(Increase) decrease in internal balances	-100,858	-204,545	-305,403	10,446
(Increase) decrease in accounts receivable	12,185	357,273	369,458	-
Increase (decrease) in accrued liabilities	6,289	-150	6,139	-972
Increase (decrease) in other liabilities	1,257	-	1,257	-
Increase (decrease) in unearned revenue	3,684	-	3,684	-
Net cash from operating activities	\$ -29,328	\$ 268,632	\$ 239,304	\$ 23,346

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, 2017

	Private purpose trusts	Agency funds	Total
Assets:			
Cash	\$ -	\$ 115,435	\$ 115,435
Investments	74,027	25,700	99,727
Receivables	-	-	-
Inventory and prepaids	-	-	-
Due from other funds	817	-	817
Total assets	<u>\$ 74,844</u>	<u>\$ 141,135</u>	<u>\$ 215,979</u>
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Unearned revenues	-	-	-
Due to student groups	-	121,675	121,675
Due to other groups	-	19,460	19,460
Total liabilities	<u>-</u>	<u>141,135</u>	<u>141,135</u>
Net position:			
Restricted			
Expendable	74,844	-	74,844
Non-expendable	-	-	-
Unrestricted	-	-	-
Total net position	<u>74,844</u>	<u>-</u>	<u>74,844</u>
Total liabilities and net position	<u>\$ 74,844</u>	<u>\$ 141,135</u>	<u>\$ 215,979</u>
Additions			
Property tax revenues	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-
Interest and dividends	954	-	954
Net change in investment fair value	444	-	444
Miscellaneous	-	-	-
Total additions	<u>1,398</u>	<u>-</u>	<u>1,398</u>
Deductions			
Salary and wages	-	-	-
Program operating costs	10,481	-	10,481
Capital expenditures	-	-	-
Total deductions	<u>10,481</u>	<u>-</u>	<u>10,481</u>
Transfers			
Transfers in	3,258	-	3,258
Transfers out	-	-	-
Total transfers	<u>3,258</u>	<u>-</u>	<u>3,258</u>
Change in net position	-5,825	-	-5,825
Net position - July 1	<u>80,669</u>	<u>-</u>	<u>80,669</u>
Net position - June 30	<u>\$ 74,844</u>	<u>\$ -</u>	<u>\$ 74,844</u>

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2017

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 \$11,000 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, 2017

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, 2017

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. The Town currently only has one non-major capital project fund which is the Lake Williams project fund which is currently being used for capital and operating upkeep costs of Lake Williams.
- d. Permanent funds - Permanent funds are used to account for and report resources that are restricted as 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, 2017

- 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 1S 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, 2017

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. The Town values investments at their fair value. Money market accounts and certificates of deposit may be classified 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.

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2017

E. Revenue recognition - property taxes

The Town's property tax for the current year was levied May 17, 2016 on the grand list as of October 1, 2015, for the real, motor vehicle and personal property located in the Town at a rate of 28.9 mills. Real estate, personal property and motor vehicle taxes were due on July 1, 2016, and January 1, 2017. Supplemental motor vehicle taxes were due on January 1, 2017. 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 \$433,260 is made up of general property taxes receivable of \$380,558, state, federal and other grant receivables of \$38,453 and other miscellaneous receivables of \$14,249. The long-term accounts receivable balance of \$82,415 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 \$1,005,155 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 1st and October 1st 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 approximately \$372,809 leaving a current and long-term receivable amount due of \$3,237,790. Current fiscal year borrowed interest collections totaled approximately \$91,926 including currently billed amounts and previously billed amounts leaving a outstanding receivable of \$23,927. Current fiscal year user fee collections totaled approximately \$185,842 including currently billed amounts and previously billed amounts leaving a outstanding receivable of \$16,524.

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.

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2017

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 \$13,734 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.

L. 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, 2017

M. 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.

N. 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 \$89,498. This balance is made up of \$45,849 which represents unspent state, federal and other grant program balances which will be used in the upcoming fiscal year, \$34,926 which represents tax payments made for the upcoming fiscal year and \$8,723 which represents lease revenue received for the upcoming fiscal year. The current fiscal year unearned revenue balance of the business-type activities of the Town as shown on the statement of net position totaled \$27,277 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 \$43,649 and is made up of the above mentioned advance tax payments and advance lease revenue.

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 \$486,159. This balance is made up of current fiscal year pension contributions made by the town in the amount of \$138,023 and the actuarial determined differences between expected and actual experience, changes in employer proportional share and the net difference between projected and actual earnings on pension plan investments, in the amount of \$348,146.

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 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 \$327,877.

O. 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, 2017

P. 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 \$86,858 is made up of tax refunds issued but not yet paid of \$33,251, driveway and performance bonds which have been received but not yet fulfilled and thus not yet returned of \$47,561, payroll withholding and state amounts due of \$5,145 and other miscellaneous items of \$901.

Q. 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.

R. 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 72 through 77 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, 2017

S. 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, 2017

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	\$ 3,218	\$ -	\$ -	\$ -	\$ 15,234	\$ 18,452
Permanent funds principal	-	-	-	-	319,272	319,272
	3,218	-	-	-	334,506	337,724
Restricted:						
Town grants	-	-	-	-	20,061	20,061
Education grants	-	-	-	-	24,472	24,472
Trumbull donations funds	-	2,873,995	-	-	216,813	3,090,808
Other town donation funds	-	-	-	-	74,771	74,771
Housing rehab income fund	-	-	-	1,021,653	-	1,021,653
Enabling legislation funds	-	-	-	-	76,672	76,672
Permanent funds non-principal	-	-	-	-	42,372	42,372
	-	2,873,995	-	1,021,653	455,161	4,350,809
Committed:						
Town construction projects	-	-	238,555	-	-	238,555
Capital nonrecurring balances	-	-	1,199,514	-	-	1,199,514
School capital fund	-	-	377,125	-	-	377,125
Lebanon public library	-	-	-	-	176,149	176,149
Lebanon recreation commission	-	-	-	-	19,618	19,618
Jonathan Trumbull Jr. house	-	-	-	-	33,824	33,824
Adams community center	-	-	-	-	57,524	57,524
Town improvement program	-	-	-	-	98,077	98,077
Senior vans program	-	-	-	-	62,910	62,910
Lake Williams project	-	-	-	-	53,417	53,417
	-	-	1,815,194	-	501,519	2,316,713
Assigned:						
Dog fund	-	-	-	-	10,781	10,781
Town donation funds	-	-	-	-	20,414	20,414
Fema storm grant funds	-	-	-	-	58,729	58,729
Summer dance festival	-	-	-	-	17,669	17,669
Cemetery lot funds	-	-	-	-	8,973	8,973
Historic building funds	-	-	-	-	10,322	10,322
Education programs	-	-	-	-	12,237	12,237
Education activity accounts	-	-	-	-	95,834	95,834
School encumbrances	49,526	-	-	-	1,316	50,842
	49,526	-	-	-	236,275	285,801
Unassigned:						
General fund	5,970,990	-	-	-	-	5,970,990
Town construction projects	-	-	-492,421	-	-	-492,421
Education grants	-	-	-	-	-798	-798
Permanent funds principal	-	-	-	-	-197	-197
	5,970,990	-	-492,421	-	-995	5,477,574
Total fund balances	\$ 6,023,734	\$ 2,873,995	\$ 1,322,773	\$ 1,021,653	\$ 1,526,466	\$ 12,768,621

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2017

T. 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, 2017 was \$49,526 for the general fund as it relates to the Board of Education, and \$1,316 for the non-major special revenue funds as they relate to the State and Federal grant programs of the Board of Education.

U. 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 2, 2016.

Town general fund	Revenues	Expenditures	Other financing sources (uses)	Net change in fund balance
GAAP basis - Statement D	\$ 28,178,184	\$ -24,890,965	\$ -2,249,955	\$ 1,037,264
Current fiscal year encumbrances	-	-49,526	-	-49,526
Prior fiscal year encumbrances	-	280,098	-	280,098
State on-behalf payments	-1,993,866	1,993,866	-	-
Budgetary basis - Statement E	<u>\$ 26,184,318</u>	<u>\$ -22,666,527</u>	<u>\$ -2,249,955</u>	<u>\$ 1,267,836</u>

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2017

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 \$3,225,214 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 \$2,873,995 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 \$351,219. 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	\$ 16,498
Unearned state, federal, and other grant program balances	45,849
Principal balance of non-major permanent funds	9,501
Restricted donation funds	291,584
Enabling legislation program funds	76,672
	<u>\$ 440,104</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 \$13,057,545 which is shown in the financial statements as cash balances of \$2,940,399 and investment balances of \$10,117,146 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 \$13,541,485 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 \$12,291,485 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, 2017

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 \$493,716 which is shown in the financial statements as cash balances of \$174,792 and investment balances of \$318,924 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 \$497,234 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 \$247,234 representing balances that where 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, 2017.

Associated Credit Ratings as of June 30, 2017.

Type	Fair value	Maturities in years				Credit ratings
		Less than 1 year	1 - 5 years	6 - 10 years	More than 10 years	S & P
Governmental & business type:						
CT short term investment fund	\$ 25,254	\$ 25,254	\$ -	\$ -	\$ -	AAAm
Preferred stocks	10,573	10,573	-	-	-	not rated
Exchange traded funds	322,455	322,455	-	-	-	not rated
Unit trusts	848	848	-	-	-	not rated
Money market and certificates	10,033,734	10,033,734	-	-	-	not rated
Municipal bonds	5,185	-	-	5,185	-	AAA
Municipal bonds	10,922	-	-	10,922	-	AA+
Municipal bonds	44,667	-	-	-	44,667	AAA
Municipal bonds	130,147	-	-	-	130,147	AA to AA+
Municipal bonds	10,585	-	-	-	10,585	BBB+
Corporate bonds	210,391	-	210,391	-	-	A to AA+
Corporate bonds	43,132	-	43,132	-	-	BB- to BBB+
Corporate bonds	88,134	-	-	88,134	-	BBB+
Corporate bonds	21,732	-	-	10,489	11,243	AA- to AA
	<u>10,957,759</u>	<u>\$10,392,864</u>	<u>\$ 253,523</u>	<u>\$ 114,730</u>	<u>\$ 196,642</u>	
Stock equities	2,040,112					
Mutual fund equities	294,824					
	<u>\$13,292,695</u>					
Fiduciary funds:						
Money market and certificates	\$ 83,412	<u>\$ 83,412</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	not rated
Mutual fund equities	16,315					
	<u>\$ 99,727</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 has 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, 2017

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.

		Fair value measurement		
Investments	Fair value	Level 1	Level 2	Level 3
Governmental & business type:				
CT short term investment fund	\$ 25,254	\$ 25,254	\$ -	\$ -
Preferred stocks	10,573	10,573	-	-
Exchange traded funds	322,455	322,455	-	-
Unit trusts	848	848	-	-
Money market and certificates	10,033,734	10,033,734	-	-
Municipal bonds	201,506	201,506	-	-
Corporate bonds	363,389	363,389	-	-
Stock equities	2,040,112	2,040,112	-	-
Mutual fund equities	294,824	294,824	-	-
	<u>\$13,292,695</u>	<u>\$13,292,695</u>	<u>\$ -</u>	<u>\$ -</u>
Fiduciary funds:				
Money market and certificates	\$ 83,412	\$ 83,412	\$ -	\$ -
Mutual fund equities	16,315	16,315	-	-
	<u>\$ 99,727</u>	<u>\$ 99,727</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, 2017.

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	\$ 318,924	<u>\$ 318,924</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	not rated
Stock equities	7,906					
Mutual fund equities & unit trusts	274,149					
	<u>\$ 600,979</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 has 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 Department does not have a formal policy for custodial credit risk. As described above, all of the Department's 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, 2017.

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2017

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
General fund:		
Town capital funds	\$ 509,497	\$ 1,837,546
Non-major special revenue funds	264,410	907,377
Non-major capital project funds	-	53,417
Non-major permanent funds	546	4,330
	<u>774,453</u>	<u>2,802,670</u>
Proprietary enterprise funds	-	898,590
Proprietary internal service funds	38,487	-
Private purpose trust funds	-	817
	<u>\$ 812,940</u>	<u>\$ 3,702,077</u>
 Town capital funds:		
General fund	<u>\$ 1,837,546</u>	<u>\$ 509,497</u>

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 \$190,539. 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
General fund:		
Town capital funds	\$ -	\$ -1,790,939
Non-major special revenue funds	-	-519,424
Non-major permanent funds	408	-
Proprietary funds	60,000	-
	<u>\$ 60,408</u>	<u>\$ -2,310,363</u>
 Trumbull investment funds:		
Non-major special revenue funds	<u>\$ -</u>	<u>\$ -90,478</u>
 Town capital funds:		
General fund	\$ 1,790,939	\$ -
Non-major capital project funds	-	-31,368
	<u>\$ 1,790,939</u>	<u>\$ -31,368</u>

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2017

Note 5 - Capital assets

The following schedule shows the capital asset activity for the fiscal year ended June 30, 2017. 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.

	Balance 07/01/16	Additions	Retirements	Balance 06/30/17
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 2,228,189	\$ -	\$ -	\$ 2,228,189
Construction in progress	101,769	7,075	-	108,844
Total capital assets not being depreciated	<u>2,329,958</u>	<u>7,075</u>	<u>-</u>	<u>2,337,033</u>
Capital assets being depreciated:				
Buildings and improvements	36,956,148	137,537	-	37,093,685
Vehicles	4,115,864	300,861	-	4,416,725
Equipment	1,264,290	185,243	-	1,449,533
Infrastructure	28,854,239	905,982	-	29,760,221
Total capital assets being depreciated	<u>71,190,541</u>	<u>1,529,623</u>	<u>-</u>	<u>72,720,164</u>
Less accumulated depreciation for:				
Building and improvements	-15,739,734	-	-924,835	-16,664,569
Vehicles	-2,434,680	-	-260,358	-2,695,038
Equipment	-890,753	-	-88,625	-979,378
Infrastructure	-19,855,200	-	-507,370	-20,362,570
Total accumulated depreciation	<u>-38,920,367</u>	<u>-</u>	<u>-1,781,188</u>	<u>-40,701,555</u>
Total capital assets being depreciated (net)	<u>32,270,174</u>	<u>1,529,623</u>	<u>-1,781,188</u>	<u>32,018,609</u>
Total capital assets (net)	<u>\$ 34,600,132</u>	<u>\$ 1,536,698</u>	<u>\$ -1,781,188</u>	<u>\$ 34,355,642</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 - \$5,355, public safety - \$168,524, public works - \$148,116, health and social - \$87,002, education - \$864,821 and general infrastructure - \$507,370 for a total current fiscal year depreciation expense amount of \$1,781,188.

	Balance 07/01/16	Additions	Retirements	Balance 06/30/17
Business-type activities:				
Capital assets being depreciated:				
Lebanon Amston Lake Sewage System	\$ 6,503,574	\$ -	\$ -	\$ 6,503,574
Less accumulated depreciation	-260,143	-	-86,714	-346,857
Total capital assets being depreciated (net)	<u>\$ 6,243,431</u>	<u>\$ -</u>	<u>\$ -86,714</u>	<u>\$ 6,156,717</u>

	Balance 07/01/16	Additions	Retirements	Balance 06/30/17
Component unit:				
Capital assets being depreciated:				
Buildings, vehicles and equipment	\$ 330,307	\$ 25,440	\$ -	\$ 355,747
Less accumulated depreciation	-216,586	-	-12,001	-228,587
Total capital assets being depreciated (net)	<u>\$ 113,721</u>	<u>\$ 25,440</u>	<u>\$ -12,001</u>	<u>\$ 127,160</u>

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2017

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.

	Balance 07/1/16	Additions	Reductions	Balance 06/30/17	Amount due within one year
Governmental activities:					
Outstanding payables:					
\$5,750,000 bond payable	\$ 1,900,000	\$ -	\$ -380,000	\$ 1,520,000	\$ 380,000
\$486,650 note payable	58,552	-	-36,440	22,112	22,112
\$94,491 capital lease payable	5,082	-	-5,082	-	-
\$294,000 capital lease payable	151,758	-	-49,594	102,164	50,586
\$104,888 capital lease payable	63,029	-	-32,768	30,261	30,261
\$115,000 capital lease payable	104,034	-	-38,328	65,706	39,268
\$81,823 capital lease payable	-	81,823	-19,087	62,736	30,936
Total outstanding payables	<u>2,282,455</u>	<u>81,823</u>	<u>-561,299</u>	<u>1,802,979</u>	<u>553,163</u>
Other liabilities:					
Accrued comp. absences - school	38,837	-	-4,240	34,597	-
Accrued comp. absences - town	39,851	7,194	-	47,045	-
Accrued landfill post-closure costs	42,631	-	-12,000	30,631	12,000
Pension contribution payable	18,158	-	-9,079	9,079	9,079
Net pension liability	656,951	350,445	-	1,007,396	-
Other postemployment benefits	1,835,300	126,800	-	1,962,100	-
Total other liabilities	<u>2,631,728</u>	<u>484,439</u>	<u>-25,319</u>	<u>3,090,848</u>	<u>21,079</u>
Total long-term liabilities	<u>\$ 4,914,183</u>	<u>\$ 566,262</u>	<u>\$ -586,618</u>	<u>\$ 4,893,827</u>	<u>\$ 574,242</u>
Business-type activities:					
Outstanding payables:					
\$5,105,000 bond payable	<u>\$ 4,610,521</u>	<u>\$ -</u>	<u>\$ -184,105</u>	<u>\$ 4,426,416</u>	<u>\$ 92,724</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%.

\$ 1,520,000

\$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%.

22,112

\$ 1,542,112

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 2049. Interest on the outstanding principal balance is at a rate of 2.50%.

\$ 4,426,416

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2017

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 town for the fiscal years ending June 30.:

	Governmental activities			Business-type activities		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 402,112	\$ 50,908	\$ 453,020	\$ 92,724	\$ 110,660	\$ 203,384
2019	380,000	36,100	416,100	95,042	108,342	203,384
2020	380,000	21,660	401,660	97,418	105,966	203,384
2021	380,000	7,220	387,220	99,853	103,531	203,384
2022	-	-	-	102,350	101,034	203,384
2023 - 2027	-	-	-	551,432	465,488	1,016,920
2028 - 2032	-	-	-	623,895	393,025	1,016,920
2033 - 2037	-	-	-	705,880	311,040	1,016,920
2038 - 2042	-	-	-	798,638	218,282	1,016,920
2043 - 2047	-	-	-	903,586	113,334	1,016,920
2048 - 2052	-	-	-	355,598	12,919	368,517
	<u>\$ 1,542,112</u>	<u>\$ 115,888</u>	<u>\$ 1,658,000</u>	<u>\$ 4,426,416</u>	<u>\$ 2,043,621</u>	<u>\$ 6,470,037</u>

Outstanding capital leases payable - Governmental activities

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, 2017 was \$143,502. The total annual payments on this lease for the next two fiscal years is equal to approximately \$105,259. The amount of these payments representing interest is equal to approximately \$3,095 leaving the net present value of future minimum lease payments equaling \$102,164.

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, 2017 was \$31,024. The total monthly payments on this lease over the next fiscal year are equal to approximately \$30,582. The amount of these payments representing interest is equal to approximately \$321 leaving the net present value of future minimum lease payments equaling \$30,261.

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, 2017 was \$25,375. The total monthly payments on this lease over the next two fiscal years are equal to approximately \$67,438. The amount of these payments representing interest is equal to approximately \$1,732 leaving the net present value of future minimum lease payments equaling \$65,706.

The Town has a capital lease related to a lease purchase agreement for a 2016 CAT 420F2 backhoe loader. This lease purchase agreement runs from November of 2016 through June of 2019 with monthly payments of \$2,682 which includes interest at a rate of 3.75%. The gross amount of this truck recorded as a vehicle type capital asset is \$104,165 which is made up of \$22,342 paid by the town and the \$81,823 capital lease. These items are being amortized over a 15 year period and the accumulated amortization (depreciation) taken as of June 30, 2017 was \$1,736. The total monthly payments on this lease over the next two fiscal years are equal to approximately \$64,381. The amount of these payments representing interest is equal to approximately \$1,645 leaving the net present value of future minimum lease payments equaling \$62,736.

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2017

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, 2017, school accumulated sick balances totaled approximately \$355,582. 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 from the date of closure, 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. The expense for this liability was to be recorded in each period based on the landfill capacity used to date. As of June 30, 2017 the amount outstanding for post-closure monitoring was \$30,631 which is shown as a long-term liability on the government-wide statement of net position. A current portion of this liability has been estimated based on prior fiscal year amounts.

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 one more annual installment 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 July 15, 2016 in the amount of \$2,240,000. This note is due on July 13, 2017 including interest at a rate of 1.19%. 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 \$191,406 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, \$67,080 was shown as a general fund line item and \$8,431 was shown in the Town capital funds relating to the capital leases of the town. For the business-type activities of the town, \$115,895 was shown as part of the WPCA benefit assessment proprietary fund.

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2017

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.

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, 2016, 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, 2017, the Town has no proportionate share of the net pension liability. For the year ended June 30, 2017, the Town recognized pension revenue and expense of \$1,993,866 as described 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	24,357,391
Total	<u>\$ 24,357,391</u>

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2017

Actuarial assumptions - The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement::

Inflation	2.75%
Salary increases	3.25% to 6.50%, including inflation
Investment rate of return	8.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale.

Future cost-of-living increases for teachers who retired prior to September 1, 1992, are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum. 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 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 1.0%.

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%
Real estate	7.0%	5.1%
Private equity	11.0%	7.6%
Alternative investments	8.0%	4.1%
Core fixed income	7.0%	1.3%
High yield bonds	5.0%	3.9%
Emerging markets bond fund	5.0%	3.7%
Inflation linked bond fund	3.0%	1.0%
Cash	6.0%	0.4%
Total	100.0%	

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 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, 2017

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.

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.

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, 2017

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, 2017, the Town is reporting a liability of \$1,007,396 for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2016, 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 .513251 percent. This represents an increase in the Town's proportion in the amount of .033412 percent from the June 30, 2015 measurement date.

For the year ended June 30, 2017, the Town's actuarial determined pension expense as a percentage of the total plan pension expense was \$241,657. At June 30, 2017, 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	\$ 21,711	\$ -
Changes of assumptions	-	-
Changes in proportional share of employer	33,627	-
Net difference between projected and actual earnings on Plan investments	292,798	-
Contributions subsequent to the measurement date	138,023	-
Total	<u>\$ 486,159</u>	<u>\$ -</u>

The \$138,023 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, 2017. 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	\$ 77,552
2018	77,552
2019	119,814
2020	73,218
	<u>\$ 348,136</u>

Actuarial assumptions - The total pension liability was determined by an actuarial valuation as of June 30, 2016, 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, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2007 - June 30, 2012. 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, 2017

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>\$ 1,589,451</u>	<u>\$ 1,007,396</u>	<u>\$ 513,832</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, 2016 available at www.ct.gov.

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, 2017

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, 2017. 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, 2017, the Lebanon Board of Education's total covered payroll was approximately \$8,430,724 and the 2016 actuarial determined on-behalf contribution rate applied was 23.65%. 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 \$1,993,866 and an education expenditure of \$1,993,866 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 \$1,993,866 and an expense in the governmental activities section under a separate education function line item of \$1,993,866 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 2016 actuarial determined on-behalf contribution rate of 23.65% compares to 24.13% during the prior fiscal year and the on-behalf appropriation of \$1,993,866 compares to \$1,917,092 during the prior fiscal year.

Note 12 - Other Post Employment Benefits - OPEB

Government accounting standards board (GASB) Statement No. 45 - *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* relates to OPEB plan of state and local government employers. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. 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. 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. At July 1, 2016, the plan valuation date, plan membership consisted of 132 active participants and 10 current retirees.

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2017

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, 2017 are as follows.

Annual required contribution	\$ 240,100
Interest on net OPEB obligation	65,700
Adjustment to annual required contribution	<u>-97,300</u>
Annual OPEB Cost	208,500
Contributions made	<u>-81,700</u>
 Increase in Net OPEB Obligation	 126,800
 Net OPEB Obligation as of June 30, 2016	 <u>1,835,300</u>
 Net OPEB Obligation as of June 30, 2017	 <u><u>\$ 1,962,100</u></u>

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	07/01/16
Actuarial cost method	Entry age normal
Amortization method	30 years, open basis, level dollar amount
Asset valuation method	Not applicable
Actuarial assumptions	
Interest	3.58%
Inflation	2.60%
Rate of compensation increase	2.60%
Healthcare inflation rate	7.50% for 2016, decreasing .50% per year, to an ultimate rate of 4.60% for 2022 and later

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2017

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)
07/01/10	\$ -	\$ 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%
07/01/16	\$ -	\$ 3,123,100	\$ 3,123,100	0.00%	\$ 7,999,300	39%

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)
06/30/13	\$ 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
06/30/17	\$ 240,100	\$ 81,700	34%	\$ 1,962,100

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, 2017 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	\$ 75,057,197	\$ 6,503,574	\$ 81,560,771	\$ 355,747
Less accumulated depreciation	-40,701,555	-346,857	-41,048,412	-228,587
Book value of capital assets	34,355,642	6,156,717	40,512,359	127,160
Less capital assets related debt	-1,802,979	-4,426,416	-6,229,395	-
	<u>\$ 32,552,663</u>	<u>\$ 1,730,301</u>	<u>\$ 34,282,964</u>	<u>\$ 127,160</u>

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2017

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 miscellaneous expenditure 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, 2017, the following balances represent the loan fund described above.

Cash and restricted cash	\$ 16,498
Grants receivable	11,200
Notes receivable (net of allowance)	1,005,155
Accounts payable	-11,200
Restricted net position and restricted fund balance	-1,021,653
	<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, 2017, the town capital funds major fund included one individual project cost center with a deficit fund balance. The town bridge projects fund 244 had a deficit fund balance of (\$492,421). 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, 2017, the town non-major special revenue funds included three individual grants with deficit fund balances. The current fiscal year Title I grant had a deficit fund balance of (\$13), the prior fiscal year Title II grant had a deficit fund balance of (\$35) and the current fiscal year Section 611 Local Entitlement grant had a deficit fund balance of (\$750). These grant deficit fund balances are expected to be absorbed by future grant or miscellaneous revenues. As of June 30, 2017, the town non-major permanent funds included one individual fund which had an unassigned deficit fund balance. The Flora Williams scholarship fund had an unassigned deficit fund balance of (\$197) which represents an expenditure of the nonspendable portion of the fund balance. This unassigned fund balance deficit may be funded through future investment earnings or the deficit may continue depending on the amounts expended from the fund.

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 five years through February of 2022 with monthly payments of \$246 which equals annual payments of \$2,952. 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, 2017

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, 2017 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 one year contract for a working facilities manager and a general maintenance technician through June 30, 2017 with two one year optional extensions at annual costs of \$257,616, \$261,468 and \$265,380, 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, 2018 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 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 contract amounts included in the agreement are \$733,658, \$757,418, \$777,557, \$797,990 and \$820,159, respectively. The Town has entered into a one year managed support services and software resources agreement through June 30, 2018 at a cost of \$15,168. The Town has entered into a one year cleaning services contract through June 30, 2018 at a cost of \$21,880. The Town has entered into a two year mowing and grounds maintenance contract through November 1, 2018 at an annual cost of \$17,495 payable in nine equal monthly installments. The Town has entered into a two year cemetery maintenance contract through November 1, 2018 at an annual cost of \$16,500 payable in nine equal monthly installments. The Town and the Board entered into a one year agreement through June 30, 2018 to purchase heating oil, diesel fuel and gasoline at an agreed upon per gallon rate in the amount of \$88,400, \$46,000 and \$15,000 respectively. The Board of Selectmen of the Town voted to award the 17-18 snow and ice control contract in an amount of \$76,850. 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 December 23, 2017, the date to which the financial statements were available to be issued. The Town entered into a bond anticipation note agreement dated July 13, 2017 to provide interim funding for town road and bridge projects. The amount of the note is \$1,600,000 with a maturity date of July 12, 2018 with interest at a rate of 1.35%.

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2017

Note 19 - 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 financial reporting standards for state and local governmental OPEB plans – defined benefit OPEB plans and defined contribution OPEB plans that are administered through trusts or equivalent arrangements in which a) contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable b) OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms and c) OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members. In addition, this Statement also establishes financial reporting standards for governments that hold assets accumulated for the purposes of providing OPEB through defined benefit OPEB plans that are not administered through trusts or equivalent arrangements that meet the criteria described in a through c above. This statement 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. The OPEB plan reported by the Town is not administered through a trust or equivalent arrangement but rather relates to the implicit rate subsidy as more fully described in note 12 on page 49. As such, the requirements of this statement do not currently apply to the Town.

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. The Town has not yet determined the impact that this statement will have on its financial statements.

In March 2016, the GASB issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding (1) the presentation of payroll related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2017. The Town does not currently expect this statement to have a material effect on its financial statements.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations. (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement which (1) establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, (2) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred, and (3) requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2019. The Town does not currently expect this statement to have a material effect on its financial statements.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2019. The Town has not yet determined the impact that this statement might have on its financial statements.

In March 2017, the GASB issued Statement No. 85, *Onnibus*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The requirements of this statement are effective for the Town's reporting period beginning July 1, 2017. The Town does not currently expect this statement to have a material effect on its financial statements.

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2017

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2017. The Town does not currently expect this statement to have a material effect on its financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2020. The Town has not yet determined the impact that this statement might have on its financial statements

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)

	2015	2016	2017
Town's proportion of the net pension liability	<u>0.165765%</u>	<u>0.198054%</u>	<u>0.170988%</u>
Town's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>20,085,545</u>	<u>21,730,557</u>	<u>24,357,391</u>
Total	<u>\$ 20,085,545</u>	<u>\$ 21,730,557</u>	<u>\$ 24,357,391</u>
Town's covered-employee payroll	<u>\$ 7,621,789</u>	<u>\$ 7,847,287</u>	<u>\$ 8,430,724</u>
Town's proportion share of the net pension liability as a percentage of its covered-employee payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>61.51%</u>	<u>59.50%</u>	<u>52.26%</u>

Notes to schedule:

Changes in benefit terms and assumptions:

There were no changes in benefit terms. In 2016, 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, 2015.

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	20.4 years
Asset valuation method	4-year smoothed market
Investment rate of return	8.5% net of pension plan investment expense, including inflation
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)

	2015	2016	2017
Town's proportion of the net pension liability	<u>0.479839%</u>	<u>0.479839%</u>	<u>0.513251%</u>
Town's proportionate share of the net pension liability	<u>\$ 465,732</u>	<u>\$ 656,951</u>	<u>\$ 1,007,396</u>
Town's covered-employee payroll	<u>\$ 1,064,789</u>	<u>\$ 1,064,789</u>	<u>\$ 1,221,773</u>
Town's proportion share of the net pension liability as a percentage of its covered-employee payroll	<u>43.74%</u>	<u>61.70%</u>	<u>82.45%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>90.48%</u>	<u>92.72%</u>	<u>88.29%</u>

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, 2012.

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	27 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)

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 134,319	\$ 128,520	\$ 138,023
Contributions in relation to the contractually required contribution	<u>-134,319</u>	<u>-128,520</u>	<u>-138,023</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	<u>\$ 1,064,789</u>	<u>\$ 1,064,789</u>	<u>\$ 1,221,773</u>
Contributions as a percentage of covered-employee payroll	<u>12.61%</u>	<u>12.07%</u>	<u>11.30%</u>

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, 2017

	Non-major special revenue funds	Non-major capital project fund	Non-major permanent funds	Totals
Assets				
Cash	\$ 465,431	\$ -	\$ 7,564	\$ 472,995
Investments	14,598	-	351,219	365,817
Receivables	27,253	-	-	27,253
Inventory and prepaids	15,234	-	-	15,234
Due from other funds	908,497	53,417	4,330	966,244
Total assets	<u>1,431,013</u>	<u>53,417</u>	<u>363,113</u>	<u>1,847,543</u>
Liabilities				
Accrued liabilities	54,101	-	-	54,101
Other liabilities	900	-	-	900
Due to other funds	264,410	-	1,666	266,076
Total liabilities	<u>319,411</u>	<u>-</u>	<u>1,666</u>	<u>321,077</u>
Fund balance				
Nonspendable	15,234	-	319,272	334,506
Restricted	412,789	-	42,372	455,161
Committed	448,102	53,417	-	501,519
Assigned	236,275	-	-	236,275
Unassigned	-798	-	-197	-995
Total fund balance	<u>1,111,602</u>	<u>53,417</u>	<u>361,447</u>	<u>1,526,466</u>
Total liabilities and fund balance	<u>\$ 1,431,013</u>	<u>\$ 53,417</u>	<u>\$ 363,113</u>	<u>\$ 1,847,543</u>
Revenues				
Intergovernmental revenues	\$ 1,233,069	\$ -	\$ -	\$ 1,233,069
Interest and investment earnings	1,550	-	20,658	22,208
Charges for services	274,633	-	-	274,633
Miscellaneous	106,895	-	-	106,895
Total revenues	<u>1,616,147</u>	<u>-</u>	<u>20,658</u>	<u>1,636,805</u>
Expenditures				
Salary and wages	881,672	-	-	881,672
Program operating costs	1,300,018	7,116	10,224	1,317,358
Capital expenditures	34,013	-	-	34,013
Total expenditures	<u>2,215,703</u>	<u>7,116</u>	<u>10,224</u>	<u>2,233,043</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-599,556</u>	<u>-7,116</u>	<u>10,434</u>	<u>-596,238</u>
Other financing sources (uses)				
Transfers in	610,474	-	-	610,474
Transfers out	-	-	-4,238	-4,238
Total other financing sources (uses)	<u>610,474</u>	<u>-</u>	<u>-4,238</u>	<u>606,236</u>
Net change in fund balance	10,918	-7,116	6,196	9,998
Fund balance - July 1	<u>1,100,684</u>	<u>60,533</u>	<u>355,251</u>	<u>1,516,468</u>
Fund balance - June 30	<u>\$ 1,111,602</u>	<u>\$ 53,417</u>	<u>\$ 361,447</u>	<u>\$ 1,526,466</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, 2017

	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
Assets					
Cash	\$ -	\$ -	\$ 4,338	\$ 40,185	\$ -
Investments	-	-	-	-	-
Receivables	-	-	-	-	-
Inventory and prepaids	-	-	-	-	-
Due from other funds	187,610	9,155	21,596	-	58,199
Total assets	187,610	9,155	25,934	40,185	58,199
Liabilities					
Accrued liabilities	10,561	450	6,316	771	675
Other liabilities	900	-	-	-	-
Due to other funds	-	-	-	5,590	-
Total liabilities	11,461	450	6,316	6,361	675
Fund balance					
Nonspendable	-	-	-	-	-
Restricted	-	8,705	-	-	-
Committed	176,149	-	19,618	33,824	57,524
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balance	176,149	8,705	19,618	33,824	57,524
Total liabilities and fund balance	\$ 187,610	\$ 9,155	\$ 25,934	\$ 40,185	\$ 58,199
Revenues					
Intergovernmental revenues	\$ 1,371	\$ -	\$ -	\$ -	\$ -
Interest and investment earnings	-	-	-	302	-
Charges for services	-	-	47,578	-	1,800
Miscellaneous	12,222	-	-	699	-
Total revenues	13,593	-	47,578	1,001	1,800
Expenditures					
Salary and wages	233,223	-	34,711	12,644	-
Program operating costs	80,188	1,295	67,983	6,759	19,006
Capital expenditures	-	-	34,013	-	-
Total expenditures	313,411	1,295	136,707	19,403	19,006
Excess (deficiency) of revenues over (under) expenditures	-299,818	-1,295	-89,129	-18,402	-17,206
Other financing sources (uses)					
Transfers in	324,988	-	54,600	16,936	25,374
Transfers out	-	-	-	-	-
Total other financing sources (uses)	324,988	-	54,600	16,936	25,374
Net change in fund balance	25,170	-1,295	-34,529	-1,466	8,168
Fund balance - July 1	150,979	10,000	54,147	35,290	49,356
Fund balance - June 30	\$ 176,149	\$ 8,705	\$ 19,618	\$ 33,824	\$ 57,524

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, 2017

	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
Assets					
Cash	\$ -	\$ 178	\$ -	\$ -	\$ -
Investments	-	-	2,920	-	-
Receivables	-	8,149	-	-	-
Inventory and prepaids	-	-	-	-	-
Due from other funds	99,054	57,984	128	11,198	216,813
Total assets	99,054	66,311	3,048	11,198	216,813
Liabilities					
Accrued liabilities	977	3,401	-	417	-
Other liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	977	3,401	-	417	-
Fund balance					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	216,813
Committed	98,077	62,910	-	-	-
Assigned	-	-	3,048	10,781	-
Unassigned	-	-	-	-	-
Total fund balance	98,077	62,910	3,048	10,781	216,813
Total liabilities and fund balance	\$ 99,054	\$ 66,311	\$ 3,048	\$ 11,198	\$ 216,813
Revenues					
Intergovernmental revenues	\$ -	\$ 32,597	\$ -	\$ -	\$ -
Interest and investment earnings	-	-	172	-	-
Charges for services	-	5,898	-	2,650	-
Miscellaneous	-	-	-	7,504	-
Total revenues	-	38,495	172	10,154	-
Expenditures					
Salary and wages	-	90,386	-	-	-
Program operating costs	36,723	53,683	-	29,979	23,320
Capital expenditures	-	-	-	-	-
Total expenditures	36,723	144,069	-	29,979	23,320
Excess (deficiency) of revenues over (under) expenditures	-36,723	-105,574	172	-19,825	-23,320
Other financing sources (uses)					
Transfers in	75,000	65,000	-	20,827	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	75,000	65,000	-	20,827	-
Net change in fund balance	38,277	-40,574	172	1,002	-23,320
Fund balance - July 1	59,800	103,484	2,876	9,779	240,133
Fund balance - June 30	\$ 98,077	\$ 62,910	\$ 3,048	\$ 10,781	\$ 216,813

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, 2017

	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
Assets					
Cash	\$ 19,277	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Receivables	17,557	-	-	-	-
Inventory and prepaids	13,734	-	-	-	-
Due from other funds	155	22,103	3,940	50,629	-
Total assets	50,723	22,103	3,940	50,629	-
Liabilities					
Accrued liabilities	24,752	-	-	-	-
Other liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	24,752	-	-	-	-
Fund balance					
Nonspendable	13,734	-	-	-	-
Restricted	-	22,103	3,940	50,629	-
Committed	-	-	-	-	-
Assigned	12,237	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balance	25,971	22,103	3,940	50,629	-
Total liabilities and fund balance	\$ 50,723	\$ 22,103	\$ 3,940	\$ 50,629	\$ -
Revenues					
Intergovernmental revenues	\$ 117,184	\$ 4,000	\$ -	\$ -	\$ -
Interest and investment earnings	18	-	-	-	-
Charges for services	203,317	2,456	1,150	3,684	-
Miscellaneous	-	-	-	-	1
Total revenues	320,519	6,456	1,150	3,684	1
Expenditures					
Salary and wages	-	-	-	-	-
Program operating costs	321,730	4,075	-	-	-
Capital expenditures	-	-	-	-	-
Total expenditures	321,730	4,075	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-1,211	2,381	1,150	3,684	1
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	-1,211	2,381	1,150	3,684	1
Fund balance - July 1	27,182	19,722	2,790	46,945	-1
Fund balance - June 30	\$ 25,971	\$ 22,103	\$ 3,940	\$ 50,629	\$ -

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, 2017

	Unimproved town roads grant fund - 207	Agriculture viability grant account - 2217	Clean bank energy grant account - 2103	Fema storm grants fund - 228	Vo-ag equipment grant account - 2289
Assets					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Receivables	-	-	-	-	-
Inventory and prepaids	-	-	-	-	-
Due from other funds	19,061	-	1,000	58,729	-
Total assets	19,061	-	1,000	58,729	-
Liabilities					
Accrued liabilities	-	-	-	-	-
Other liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	-	-	-	-	-
Fund balance					
Nonspendable	-	-	-	-	-
Restricted	19,061	-	1,000	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	58,729	-
Unassigned	-	-	-	-	-
Total fund balance	19,061	-	1,000	58,729	-
Total liabilities and fund balance	\$ 19,061	\$ -	\$ 1,000	\$ 58,729	\$ -
Revenues					
Intergovernmental revenues	\$ 38,295	\$ 16,000	\$ -	\$ -	\$ -
Interest and investment earnings	-	-	-	-	-
Charges for services	-	-	-	-	-
Miscellaneous	-	-	9,000	-	-
Total revenues	38,295	16,000	9,000	-	-
Expenditures					
Salary and wages	-	-	-	3,494	-
Program operating costs	23,322	16,000	8,000	6,527	-
Capital expenditures	-	-	-	-	-
Total expenditures	23,322	16,000	8,000	10,021	-
Excess (deficiency) of revenues over (under) expenditures	14,973	-	1,000	-10,021	-
Other financing sources (uses)					
Transfers in	-	-	-	-	27,749
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	27,749
Net change in fund balance	14,973	-	1,000	-10,021	27,749
Fund balance - July 1	4,088	-	-	68,750	-27,749
Fund balance - June 30	\$ 19,061	\$ -	\$ 1,000	\$ 58,729	\$ -

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, 2017

	Warm hearts donations program fund - 209	Senior center donations fund - 225	Lathrop senior center donation fund - 231	Miscellaneous donations fund - 230	Summer dance fest fund - 216
Assets					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	11,678	-	-
Receivables	-	-	-	-	-
Inventory and prepaids	-	-	-	-	1,500
Due from other funds	61,516	-	369	11,589	17,669
Total assets	61,516	-	12,047	11,589	19,169
Liabilities					
Accrued liabilities	-	-	-	1,720	-
Other liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	-	-	-	1,720	-
Fund balance					
Nonspendable	-	-	-	-	1,500
Restricted	61,516	-	-	4,550	-
Committed	-	-	-	-	-
Assigned	-	-	12,047	5,319	17,669
Unassigned	-	-	-	-	-
Total fund balance	61,516	-	12,047	9,869	19,169
Total liabilities and fund balance	\$ 61,516	\$ -	\$ 12,047	\$ 11,589	\$ 19,169
Revenues					
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and investment earnings	-	-	688	-	-
Charges for services	-	-	-	4,100	-
Miscellaneous	14,052	2,253	-	-	12,482
Total revenues	14,052	2,253	688	4,100	12,482
Expenditures					
Salary and wages	-	-	-	-	-
Program operating costs	2,641	21,153	144	1,232	13,298
Capital expenditures	-	-	-	-	-
Total expenditures	2,641	21,153	144	1,232	13,298
Excess (deficiency) of revenues over (under) expenditures	11,411	-18,900	544	2,868	-816
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	11,411	-18,900	544	2,868	-816
Fund balance - July 1	50,105	18,900	11,503	7,001	19,985
Fund balance - June 30	\$ 61,516	\$ -	\$ 12,047	\$ 9,869	\$ 19,169

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, 2017

	Cemetery lot sales fund - 203	Historic buildings fund - 201	Special ed excess costs grant fund - 001	School educational grants fund - 002
Assets				
Cash	\$ 38,818	\$ 10,322	\$ -	\$ 256,479
Investments	-	-	-	-
Receivables	-	-	-	1,547
Inventory and prepaids	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>38,818</u>	<u>10,322</u>	<u>-</u>	<u>258,026</u>
Liabilities				
Accrued liabilities	-	-	-	4,061
Other liabilities	-	-	-	-
Due to other funds	29,845	-	-	228,975
Total liabilities	<u>29,845</u>	<u>-</u>	<u>-</u>	<u>233,036</u>
Fund balance				
Nonspendable	-	-	-	-
Restricted	-	-	-	24,472
Committed	-	-	-	-
Assigned	8,973	10,322	-	1,316
Unassigned	-	-	-	-798
Total fund balance	<u>8,973</u>	<u>10,322</u>	<u>-</u>	<u>24,990</u>
Total liabilities and fund balance	<u>\$ 38,818</u>	<u>\$ 10,322</u>	<u>\$ -</u>	<u>\$ 258,026</u>
Revenues				
Intergovernmental revenues	\$ -	\$ -	\$ 483,013	\$ 540,609
Interest and investment earnings	292	78	-	-
Charges for services	2,000	-	-	-
Miscellaneous	-	-	-	6,375
Total revenues	<u>2,292</u>	<u>78</u>	<u>483,013</u>	<u>546,984</u>
Expenditures				
Salary and wages	-	-	-	507,214
Program operating costs	200	-	483,013	37,301
Capital expenditures	-	-	-	-
Total expenditures	<u>200</u>	<u>-</u>	<u>483,013</u>	<u>544,515</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,092</u>	<u>78</u>	<u>-</u>	<u>2,469</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>2,092</u>	<u>78</u>	<u>-</u>	<u>2,469</u>
Fund balance - July 1	<u>6,881</u>	<u>10,244</u>	<u>-</u>	<u>22,521</u>
Fund balance - June 30	<u>\$ 8,973</u>	<u>\$ 10,322</u>	<u>\$ -</u>	<u>\$ 24,990</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, 2017

	LES activity accounts fund - 900	LMS activity accounts fund - 900	LHS activity accounts fund - 900	Totals
Assets				
Cash	\$ 18,646	\$ 39,045	\$ 38,143	\$ 465,431
Investments	-	-	-	14,598
Receivables	-	-	-	27,253
Inventory and prepaids	-	-	-	15,234
Due from other funds	-	-	-	908,497
Total assets	<u>18,646</u>	<u>39,045</u>	<u>38,143</u>	<u>1,431,013</u>
Liabilities				
Accrued liabilities	-	-	-	54,101
Other liabilities	-	-	-	900
Due to other funds	-	-	-	264,410
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>319,411</u>
Fund balance				
Nonspendable	-	-	-	15,234
Restricted	-	-	-	412,789
Committed	-	-	-	448,102
Assigned	18,646	39,045	38,143	236,275
Unassigned	-	-	-	-798
Total fund balance	<u>18,646</u>	<u>39,045</u>	<u>38,143</u>	<u>1,111,602</u>
Total liabilities and fund balance	<u>\$ 18,646</u>	<u>\$ 39,045</u>	<u>\$ 38,143</u>	<u>\$ 1,431,013</u>
Revenues				
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ 1,233,069
Interest and investment earnings	-	-	-	1,550
Charges for services	-	-	-	274,633
Miscellaneous	3,931	8,193	30,183	106,895
Total revenues	<u>3,931</u>	<u>8,193</u>	<u>30,183</u>	<u>1,616,147</u>
Expenditures				
Salary and wages	-	-	-	881,672
Program operating costs	2,699	7,465	32,282	1,300,018
Capital expenditures	-	-	-	34,013
Total expenditures	<u>2,699</u>	<u>7,465</u>	<u>32,282</u>	<u>2,215,703</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,232</u>	<u>728</u>	<u>-2,099</u>	<u>-599,556</u>
Other financing sources (uses)				
Transfers in	-	-	-	610,474
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>610,474</u>
Net change in fund balance	1,232	728	-2,099	10,918
Fund balance - July 1	<u>17,414</u>	<u>38,317</u>	<u>40,242</u>	<u>1,100,684</u>
Fund balance - June 30	<u>\$ 18,646</u>	<u>\$ 39,045</u>	<u>\$ 38,143</u>	<u>\$ 1,111,602</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, 2017

	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
Assets						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	219,231	47,513	11,729	10,969	10,372	7,788
Receivables	-	-	-	-	-	-
Inventory and prepaids	-	-	-	-	-	-
Due from other funds	881	191	-	45	-	-
Total assets	220,112	47,704	11,729	11,014	10,372	7,788
Liabilities						
Accrued liabilities	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Due to other funds	-	-	546	-	1,120	-
Total liabilities	-	-	546	-	1,120	-
Fund balance						
Nonspendable	197,045	42,705	10,541	10,000	8,360	7,000
Restricted	23,067	4,999	642	1,014	892	788
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balance	220,112	47,704	11,183	11,014	9,252	7,788
Total liabilities and fund balance	\$ 220,112	\$ 47,704	\$ 11,729	\$ 11,014	\$ 10,372	\$ 7,788
Revenues						
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and investment earnings	12,909	2,798	691	655	611	458
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	12,909	2,798	691	655	611	458
Expenditures						
Salary and wages	-	-	-	-	-	-
Program operating costs	6,759	1,465	-	500	-	-
Capital expenditures	-	-	-	-	-	-
Total expenditures	6,759	1,465	-	500	-	-
Excess (deficiency) of revenues over (under) expenditures	6,150	1,333	691	155	611	458
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-369	-	-327	-245
Total other financing sources (uses)	-	-	-369	-	-327	-245
Net change in fund balance	6,150	1,333	322	155	284	213
Fund balance - July 1	213,962	46,371	10,861	10,859	8,968	7,575
Fund balance - June 30	\$ 220,112	\$ 47,704	\$ 11,183	\$ 11,014	\$ 9,252	\$ 7,788

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, 2017

	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 - 231	EL Reichard nursing scholarship fund - 231
Assets						
Cash	\$ 6,564	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	7,121	6,439	6,104	4,415	-
Receivables	-	-	-	-	-	-
Inventory and prepaids	-	-	-	-	-	-
Due from other funds	-	775	27	-	19	-
Total assets	6,564	7,896	6,466	6,104	4,434	-
Liabilities						
Accrued liabilities	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-
Fund balance						
Nonspendable	6,564	6,400	6,050	5,000	4,285	-
Restricted	-	1,496	416	1,104	149	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balance	6,564	7,896	6,466	6,104	4,434	-
Total liabilities and fund balance	\$ 6,564	\$ 7,896	\$ 6,466	\$ 6,104	\$ 4,434	\$ -
Revenues						
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and investment earnings	3	419	397	12	281	-
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	3	419	397	12	281	-
Expenditures						
Salary and wages	-	-	-	-	-	-
Program operating costs	-	-	500	-	500	-
Capital expenditures	-	-	-	-	-	-
Total expenditures	-	-	500	-	500	-
Excess (deficiency) of revenues over (under) expenditures	3	419	-103	12	-219	-
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-3	-	-	-	-	-3,258
Total other financing sources (uses)	-3	-	-	-	-	-3,258
Net change in fund balance	-	419	-103	12	-219	-3,258
Fund balance - July 1	6,564	7,477	6,569	6,092	4,653	3,258
Fund balance - June 30	\$ 6,564	\$ 7,896	\$ 6,466	\$ 6,104	\$ 4,434	\$ -

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, 2017

	Flora Williams scholarship fund - 231	Local school fund fund - 240	Vernon Boothby library fund - 240	William Taylor cemetery fund - 231	Oliver & Lucille Manning fund - 231	Totals
Assets						
Cash	\$ -	\$ -	\$ 1,000	\$ -	\$ -	\$ 7,564
Investments	1,794	-	-	1,112	16,632	351,219
Receivables	-	-	-	-	-	-
Inventory and prepaids	-	-	-	-	-	-
Due from other funds	9	1,937	-	-	446	4,330
Total assets	<u>1,803</u>	<u>1,937</u>	<u>1,000</u>	<u>1,112</u>	<u>17,078</u>	<u>363,113</u>
Liabilities						
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>
Fund balance						
Nonspendable	2,000	1,937	1,000	1,000	9,385	319,272
Restricted	-	-	-	112	7,693	42,372
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-197	-	-	-	-	-197
Total fund balance	<u>1,803</u>	<u>1,937</u>	<u>1,000</u>	<u>1,112</u>	<u>17,078</u>	<u>361,447</u>
Total liabilities and fund balance	<u>\$ 1,803</u>	<u>\$ 1,937</u>	<u>\$ 1,000</u>	<u>\$ 1,112</u>	<u>\$ 17,078</u>	<u>\$ 363,113</u>
Revenues						
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and investment earnings	131	-	1	65	1,227	20,658
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	<u>131</u>	<u>-</u>	<u>1</u>	<u>65</u>	<u>1,227</u>	<u>20,658</u>
Expenditures						
Salary and wages	-	-	-	-	-	-
Program operating costs	500	-	-	-	-	10,224
Capital expenditures	-	-	-	-	-	-
Total expenditures	<u>500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,224</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-369</u>	<u>-</u>	<u>1</u>	<u>65</u>	<u>1,227</u>	<u>10,434</u>
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-1	-35	-	-4,238
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-1</u>	<u>-35</u>	<u>-</u>	<u>-4,238</u>
Net change in fund balance	<u>-369</u>	<u>-</u>	<u>-</u>	<u>30</u>	<u>1,227</u>	<u>6,196</u>
Fund balance - July 1	<u>2,172</u>	<u>1,937</u>	<u>1,000</u>	<u>1,082</u>	<u>15,851</u>	<u>355,251</u>
Fund balance - June 30	<u>\$ 1,803</u>	<u>\$ 1,937</u>	<u>\$ 1,000</u>	<u>\$ 1,112</u>	<u>\$ 17,078</u>	<u>\$ 361,447</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, 2017

	Jared Hinckley scholarship fund - 241	Mary Chase fund fund - 231	Kalmon Kurcinik scholarship fund - 241	Flegert Ausberger library fund - 231	EL Reichard nursing scholarship fund - 231
Assets					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	49,130	8,967	7,239	2,846	2,504
Receivables	-	-	-	-	-
Inventory and prepaids	-	-	-	-	-
Due from other funds	-	482	-	223	4
Total assets	49,130	9,449	7,239	3,069	2,508
Liabilities					
Accrued liabilities	-	-	-	-	-
Other liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	-	-	-	-	-
Net position					
Restricted					
Expendable	49,130	9,449	7,239	3,069	2,508
Non-expendable	-	-	-	-	-
Unrestricted	-	-	-	-	-
Total net position	49,130	9,449	7,239	3,069	2,508
Total liabilities and net position	\$ 49,130	\$ 9,449	\$ 7,239	\$ 3,069	\$ 2,508
Additions:					
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and investment earnings	398	528	19	168	160
Charges for services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total additions	398	528	19	168	160
Deductions:					
Salary and wages	-	-	-	-	-
Program operating costs	1,030	-	353	-	910
Capital expenditures	-	-	-	-	-
Total deductions	1,030	-	353	-	910
Transfers					
Transfers in	-	-	-	-	3,258
Transfers out	-	-	-	-	-
Total transfers	-	-	-	-	3,258
Change in net position	-632	528	-334	168	2,508
Net position - July 1	49,762	8,921	7,573	2,901	-
Net position - June 30	\$ 49,130	\$ 9,449	\$ 7,239	\$ 3,069	\$ 2,508

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, 2017

	Town school prizes fund - 231	Richard Woyasz scholarship fund - 241	Robert L. Hanover scholarship fund - 241	Nichols Trahan scholarship fund - 241	Totals
Assets					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	1,998	921	422	-	74,027
Receivables	-	-	-	-	-
Inventory and prepaids	-	-	-	-	-
Due from other funds	108	-	-	-	817
Total assets	<u>2,106</u>	<u>621</u>	<u>422</u>	<u>-</u>	<u>74,844</u>
Liabilities					
Accrued liabilities	-	-	-	-	-
Other liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position					
Restricted					
Expendable	2,106	921	422	-	74,844
Non-expendable	-	-	-	-	-
Unrestricted	-	-	-	-	-
Total net position	<u>2,106</u>	<u>921</u>	<u>422</u>	<u>-</u>	<u>74,844</u>
Total liabilities and net position	<u>\$ 2,106</u>	<u>\$ 921</u>	<u>\$ 422</u>	<u>\$ -</u>	<u>\$ 74,844</u>
Additions:					
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and investment earnings	118	4	2	1	1,398
Charges for services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total additions	<u>118</u>	<u>4</u>	<u>2</u>	<u>1</u>	<u>1,398</u>
Deductions:					
Salary and wages	-	-	-	-	-
Program operating costs	-	-	361	7,827	10,481
Capital expenditures	-	-	-	-	-
Total deductions	<u>-</u>	<u>-</u>	<u>361</u>	<u>7,827</u>	<u>10,481</u>
Transfers					
Transfers in	-	-	-	-	3,258
Transfers out	-	-	-	-	-
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,258</u>
Change in net position	118	4	-359	-7,826	-5,825
Net position - July 1	<u>1,988</u>	<u>917</u>	<u>781</u>	<u>7,826</u>	<u>80,669</u>
Net position - June 30	<u>\$ 2,106</u>	<u>\$ 921</u>	<u>\$ 422</u>	<u>\$ -</u>	<u>\$ 74,844</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, 2017

	Jonathan Trumbull Jr. library fund fund - 231	Adams community center fund fund - 231	Jonathan Trumbull Jr. house fund fund - 231	Totals
Assets				
Cash	\$ -	\$ -	\$ -	\$ -
Investments	1,533,214	802,812	537,969	2,873,995
Receivables	-	-	-	-
Inventory and prepaids	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>1,533,214</u>	<u>802,812</u>	<u>537,969</u>	<u>2,873,995</u>
Liabilities				
Accrued liabilities	-	-	-	-
Other liabilities	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance				
Nonspendable	-	-	-	-
Restricted	1,533,214	802,812	537,969	2,873,995
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balance	<u>1,533,214</u>	<u>802,812</u>	<u>537,969</u>	<u>2,873,995</u>
Total liabilities and fund balance	<u>\$ 1,533,214</u>	<u>\$ 802,812</u>	<u>\$ 537,969</u>	<u>\$ 2,873,995</u>
Revenues				
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -
Interest and investment earnings	90,279	47,271	31,678	169,228
Charges for services	-	-	-	-
Miscellaneous	-	-	100	100
Total revenues	<u>90,279</u>	<u>47,271</u>	<u>31,778</u>	<u>169,328</u>
Expenditures				
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>90,279</u>	<u>47,271</u>	<u>31,778</u>	<u>169,328</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-48,268	-25,274	-16,936	-90,478
Total other financing sources (uses)	<u>-48,268</u>	<u>-25,274</u>	<u>-16,936</u>	<u>-90,478</u>
Net change in fund balance	42,011	21,997	14,842	78,850
Fund balance - July 1	<u>1,491,203</u>	<u>780,815</u>	<u>523,127</u>	<u>2,795,145</u>
Fund balance - June 30	<u>\$ 1,533,214</u>	<u>\$ 802,812</u>	<u>\$ 537,969</u>	<u>\$ 2,873,995</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, 2017

	Capital & nonrecurring fund - 220	Amston lake sewer construction fund - 229	Town library project fund - 243	Town bridge projects fund - 244
Assets				
Cash	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	2,267,562
Receivables	-	-	-	-
Inventory and prepaids	-	-	-	-
Due from other funds	1,213,151	-	54,037	-
Total assets	1,213,151	-	54,037	2,267,562
Liabilities				
Accrued liabilities	13,637	-	6,825	10,486
Other liabilities	-	-	-	2,240,000
Due to other funds	-	-	-	509,497
Total liabilities	13,637	-	6,825	2,759,983
Fund balance				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	1,199,514	-	47,212	-
Assigned	-	-	-	-
Unassigned	-	-	-	-492,421
Total fund balance	1,199,514	-	47,212	-492,421
Total liabilities and fund balance	\$ 1,213,151	\$ -	\$ 54,037	\$ 2,267,562
Revenues				
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ 71,696
Interest and investment earnings	-	42	-	6,001
Miscellaneous	11,000	-	-	-
Total revenues	11,000	42	-	77,697
Expenditures				
Program operating costs	318,913	-	-	-
Capital expenditures	610,921	-	7,075	758,259
Non-cash capital lease purchase	81,823	-	-	-
Total expenditures	1,011,657	-	7,075	758,259
Excess (deficiency) of revenues over (under) expenditures	-1,000,657	42	-7,075	-680,562
Other financing sources (uses)				
Non-cash capital lease proceeds	81,823	-	-	-
Transfers in	965,400	-	125,000	260,000
Transfers out	-	-31,368	5,070	-
Total other financing sources (uses)	1,047,223	-31,368	130,070	260,000
Net change in fund balance	46,566	-31,326	122,995	-420,562
Fund balance - July 1	1,152,948	31,326	-75,783	-71,859
Fund balance - June 30	\$ 1,199,514	\$ -	\$ 47,212	\$ -492,421

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, 2017

	School capital fund - 245	Town green quieting title project fund - 246	Totals
Assets			
Cash	\$ -	\$ -	\$ -
Investments	-	-	2,267,562
Receivables	-	-	-
Inventory and prepaids	-	-	-
Due from other funds	377,125	193,233	1,837,546
Total assets	<u>377,125</u>	<u>193,233</u>	<u>4,105,108</u>
Liabilities			
Accrued liabilities	-	1,890	32,838
Other liabilities	-	-	2,240,000
Due to other funds	-	-	509,497
Total liabilities	<u>-</u>	<u>1,890</u>	<u>2,782,335</u>
Fund balance			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	377,125	191,343	1,815,194
Assigned	-	-	-
Unassigned	-	-	-492,421
Total fund balance	<u>377,125</u>	<u>191,343</u>	<u>1,322,773</u>
Total liabilities and fund balance	<u>\$ 377,125</u>	<u>\$ 193,233</u>	<u>\$ 4,105,108</u>
Revenues			
Intergovernmental revenues	\$ -	\$ -	\$ 71,696
Interest and investment earnings	-	-	6,043
Miscellaneous	-	-	11,000
Total revenues	<u>-</u>	<u>-</u>	<u>88,739</u>
Expenditures			
Program operating costs	-	53,587	372,500
Capital expenditures	-	-	1,376,255
Non-cash capital lease purchase	-	-	81,823
Total expenditures	<u>-</u>	<u>53,587</u>	<u>1,830,578</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-53,587</u>	<u>-1,741,839</u>
Other financing sources (uses)			
Non-cash capital lease proceeds	-	-	81,823
Transfers in	190,539	250,000	1,790,939
Transfers out	-	-5,070	-31,368
Total other financing sources (uses)	<u>190,539</u>	<u>244,930</u>	<u>1,841,394</u>
Net change in fund balance	190,539	191,343	99,555
Fund balance - July 1	<u>186,586</u>	<u>-</u>	<u>1,223,218</u>
Fund balance - June 30	<u>\$ 377,125</u>	<u>\$ 191,343</u>	<u>\$ 1,322,773</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, 2017

	Fund balance 07/01/16	Annual appropriation	Revenues	Expenditures	Transfers	Fund balance 06/30/17
General government:						
Revaluation	\$ 6,019	\$ -	\$ -	\$ -	\$ -	\$ 6,019
Public safety:						
Police radios	191	-	-	-	-	191
Fire apparatus reserve	18,229	53,000	-	-52,629	-	18,600
Emergency services reserve	183,308	-	11,000	-	-	194,308
Fire exhaust system bays	12,880	-	-	-	-	12,880
Lvfd 10,000 gallon water tank	20,000	-	-	-	-	20,000
Fire safety garage doors	25,600	-	-	-25,550	-	50
Fire safety passage doors	2,000	-	-	-	-	2,000
	<u>262,208</u>	<u>53,000</u>	<u>11,000</u>	<u>-78,179</u>	<u>-</u>	<u>248,029</u>
Public works:						
Paving	162,290	300,000	-	-156,728	-	305,562
Future bridge survey & design	22,225	-	-	-	-22,225	-
Truck body replacements	-1,900	-	-	-	1,900	-
Loader & trucks leasing	15,230	-	-	-	-	15,230
Tractor & mower leasing	15,059	7,696	-	-5,098	-	17,657
Truck leasing	1,127	37,000	-	-33,640	-	4,487
Truck leasing	1,512	45,000	-	-40,463	-	6,049
Bucket truck reserve	16,088	-	-	-	-16,088	-
Debris vacuum reserve	1,722	-	-	-	-1,722	-
Waterman road drainage	162	-	-	-	-162	-
Public works building comm.	4,038	50,000	-	-37,247	-	16,791
Garage site assessment	-	40,000	-	-39,872	-	128
Senior center car port	45,000	-	-	-25,739	-	19,261
Public works compact roller	45,000	-	-	-34,700	-	10,300
Public works extendable boom	5,000	-	-	-3,850	-	1,150
Public works 4 in 1 clam shell	14,000	-	-	-13,206	-	794
Public works fan unit	5,070	-	-	-5,065	-	5
Public works leaf blower	5,000	-	-	-4,857	-	143
CAT 420F2 backhoe	-	45,000	-	-43,803	-	1,197
Bobcat A770	-	70,000	-	-69,097	-	903
Two Ford F-350s	-	80,000	-	-79,693	-	307
Cemetery repairs	10,000	-	-	-2,030	-	7,970
Cemetery road development	15,503	-	-	-7,332	-	8,171
	<u>382,126</u>	<u>674,696</u>	<u>-</u>	<u>-602,420</u>	<u>-38,297</u>	<u>416,105</u>
Health and social:						
Aspinal tennis to basketball	238	-	-	-237	-	1
Soccer field design	8,083	-	-	-3,451	-	4,632
Library renovations	1,340	-	-	-	-	1,340
	<u>9,661</u>	<u>-</u>	<u>-</u>	<u>-3,688</u>	<u>-</u>	<u>5,973</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, 2017

	Fund balance 07/01/16	Annual appropriation	Revenues	Expenditures	Transfers	Fund balance 06/30/17
Community preservation						
Open space	\$ 263,098	\$ 56,000	\$ -	\$ -33,297	-	\$ 285,801
Education:						
School improvement plan	96,609	100,000	-	-27,896	-	168,713
Technology	62,022	90,000	-	-146,636	-	5,386
Athletic facilities	34,055	30,000	-	-37,718	-	26,337
	<u>192,686</u>	<u>220,000</u>	<u>-</u>	<u>-212,250</u>	<u>-</u>	<u>200,436</u>
Unclassified						
Uncommitted fund balance	<u>37,150</u>	<u>-38,296</u>	<u>-</u>	<u>-</u>	<u>38,297</u>	<u>37,151</u>
Sub-totals:	<u>1,152,948</u>	<u>965,400</u>	<u>11,000</u>	<u>-929,834</u>	<u>-</u>	<u>1,199,514</u>
Non-cash capital lease proceeds	-	-	81,823	-	-	81,823
Non-cash capital lease purchase	<u>-</u>	<u>-</u>	<u>-</u>	<u>-81,823</u>	<u>-</u>	<u>-81,823</u>
Totals:	<u>\$ 1,152,948</u>	<u>\$ 965,400</u>	<u>\$ 92,823</u>	<u>\$ -1,011,657</u>	<u>\$ -</u>	<u>\$ 1,199,514</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, 2017

	Small cities grant FY 2015 fund - 242	Small cities program income fund - 219	Totals
Assets			
Cash	\$ -	\$ 16,498	\$ 16,498
Investments	-	-	-
Receivables	11,200	1,005,155	1,016,355
Inventory and prepaids	-	-	-
Due from other funds	-	-	-
Total assets	<u>11,200</u>	<u>1,021,653</u>	<u>1,032,853</u>
Liabilities			
Accrued liabilities	11,200	-	11,200
Other liabilities	-	-	-
Due to other funds	-	-	-
Total liabilities	<u>11,200</u>	<u>-</u>	<u>11,200</u>
Fund balance			
Nonspendable	-	-	-
Restricted	-	1,021,653	1,021,653
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total fund balance	<u>-</u>	<u>1,021,653</u>	<u>1,021,653</u>
Total liabilities and fund balance	<u>\$ 11,200</u>	<u>\$ 1,021,653</u>	<u>\$ 1,032,853</u>
Revenues			
Intergovernmental revenues	\$ 352,085	\$ -	\$ 352,085
Interest and investment earnings	-	-	-
Charges for services	-	-	-
Miscellaneous	-	259,690	259,690
Total revenues	<u>352,085</u>	<u>259,690</u>	<u>611,775</u>
Expenditures			
Salary and wages	-	-	-
Program operating costs	352,085	52,395	404,480
Capital expenditures	-	-	-
Total expenditures	<u>352,085</u>	<u>52,395</u>	<u>404,480</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>207,295</u>	<u>207,295</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	-	207,295	207,295
Fund balance - July 1	<u>-</u>	<u>814,358</u>	<u>814,358</u>
Fund balance - June 30	<u>\$ -</u>	<u>\$ 1,021,653</u>	<u>\$ 1,021,653</u>

Town of Lebanon, Connecticut
 Schedule of property taxes levied,
 collections, and outstanding balances
 For the year ended June 30, 2017

Grand list	Uncollected taxes 06/30/16	Current year taxes levied	Lawful corrections		Net taxes collectable
			Additions	Deductions	
2015	\$ -	\$ 18,222,268	\$ 54,347	\$ -53,497	\$ 18,223,118
2014	368,753	-	685	-5,107	364,331
2013	144,821	-	-	-1,284	143,537
2012	55,524	-	-	-	55,524
2011	19,371	-	-	-	19,371
2010	483	-	-	-	483
2009	527	-	-	-	527
2008	507	-	-	-	507
2007	382	-	-	-	382
2006	616	-	-	-	616
2005	286	-	-	-	286
2004	273	-	-	-	273
2003	263	-	-	-	263
2002	110	-	-	-	110
2001	105	-	-	-	105
2000	101	-	-	-	101
	<u>\$ 592,122</u>	<u>\$ 18,222,268</u>	<u>\$ 55,032</u>	<u>\$ -59,888</u>	<u>\$ 18,809,534</u>

Town of Lebanon, Connecticut
Schedule of property taxes levied,
collections, and outstanding balances
For the year ended June 30, 2017

Grand list	Collections during the fiscal year			Total	Adjustments	Uncollected taxes 06/30/17
	Taxes	Interest	Lien fees			
2015	\$ 17,965,903	\$ 82,912	\$ 4,540	\$ 18,053,355	\$ -	\$ 257,215
2014	267,836	56,160	3,171	327,167	-	96,495
2013	91,801	34,638	1,154	127,593	-36,268	15,468
2012	50,946	23,520	552	75,018	-	4,578
2011	15,994	9,948	168	26,110	-	3,377
2010	127	2	24	153	-	356
2009	-	-	-	-	-	527
2008	-	-	-	-	-	507
2007	-	-	-	-	-	382
2006	-	-	-	-	-	616
2005	-	-	-	-	-	286
2004	-	-	-	-	-	273
2003	-	-	-	-	-	263
2002	-	-	-	-	-	110
2001	-	-	-	-	-	105
2000	-	-	-	-	-101	-
	<u>\$ 18,392,607</u>	<u>\$ 207,180</u>	<u>\$ 9,609</u>	<u>\$ 18,609,396</u>	<u>\$ -36,369</u>	<u>\$ 380,558</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 F. However, the following is a reconciliation of selected balances from this schedule to the amount shown on Statement D, Statement E, and Sub-Schedule F.

\$ 18,222,268	Current year taxes levied from page 78
207,180	Tax interest collections during the current fiscal year from above
5,385	Suspense interest and lien collections during the current fiscal year
9,609	Tax lien fee collections during the current fiscal year from above
7,014	Suspense principle balance collections during the current fiscal year
-36,369	Account balance adjustments as items transferred to suspense and written off
-4,856	The net lawful corrections made during the current fiscal year from page 78
153,976	The unearned tax revenue adjustment made as described in item number 2 on page 17
<u>\$ 18,564,207</u>	Property taxes revenues per Statement D, Statement E, and Sub-Schedule F

- B - Operation of Law - No tax can be collected 15 years after the original due date. The \$101 adjustment shown above for the 2000 grand list year represents a write off in accordance with this operation of law.
- 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 \$7,014 was collected on principle suspense tax balances owed and \$5,385 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 (\$1,256) decrease.

Town of Lebanon, Connecticut
Schedule of debt limitation
Connecticut General Statutes, Section 7-374 (b)
For the year ended June 30, 2017

Total tax collections (including interest and lien fees) for the current fiscal year.	\$ 18,564,207
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)	39,100
Total base	<u>\$ 18,603,307</u>

Debt limitation:	General purposes	Schools	Sewers	Urban renewal	Pension deficit
2 1/4 times base	\$ 41,857,441	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	83,714,882	-	-	-
3 3/4 times base	-	-	69,762,401	-	-
3 1/4 times base	-	-	-	60,460,748	-
3 times base	-	-	-	-	55,809,921
Total debt limitation	<u>41,857,441</u>	<u>83,714,882</u>	<u>69,762,401</u>	<u>60,460,748</u>	<u>55,809,921</u>

Indebtedness:					
Bonds payable	364,800	1,155,200	4,426,416	-	-
Bonds authorized and unissued	630,000	8,296,724	1,445,000	-	-
Notes payable	22,112	-	-	-	-
Capital leases payable	260,867	-	-	-	-
Pension contribution payable	9,079	-	-	-	-
Accrued compensated absences:					
School employees	-	34,597	-	-	-
Town employees	47,045	-	-	-	-
Accrued post closure landfill costs	30,631	-	-	-	-
Total indebtedness	<u>1,364,534</u>	<u>9,486,521</u>	<u>5,871,416</u>	<u>-</u>	<u>-</u>

Debt limitation in excess of outstanding and authorized debt	<u>\$ 40,492,907</u>	<u>\$ 74,228,361</u>	<u>\$ 63,890,985</u>	<u>\$ 60,460,748</u>	<u>\$ 55,809,921</u>
--	----------------------	----------------------	----------------------	----------------------	----------------------

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation. The maximum amount permitted under this formula would be \$130,223,149 which is well above the \$16,722,471 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, 2017 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, 2017 equal \$630,000 for the fire safety complex. The authorized and unissued bond amounts relating to sewers as of June 30, 2017 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.

Stephen T. Hopkins, CPA, PC

Auditing , Accounting , and Consulting Services

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

Independent Auditors Report on Compliance for each major federal program and Internal control over compliance and the Schedule of expenditures of federal awards required by the Uniform Guidance

Board of Finance
Board of Selectmen
Town of Lebanon, Connecticut

Report on Compliance for Each Major Federal Program

We have audited the Town of Lebanon, Connecticut's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Lebanon, Connecticut's major federal programs for the year ended June 30, 2017. The Town of Lebanon, Connecticut's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Lebanon, Connecticut's major federal 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 audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Lebanon, Connecticut's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal 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 federal programs for the year ended June 30, 2017.

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 federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Lebanon, Connecticut's internal control over compliance.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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, 2017, and the related notes to the financial statements, which collectively comprise the Town of Lebanon, Connecticut's basic financial statements. We have issued our report thereon dated December 23, 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 basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Stephen T. Hopkins, CPA, PC



Scarborough, Maine
December 23, 2017

Town of Lebanon, Connecticut
Schedule of expenditures of federal awards
For the year ended June 30, 2017

Federal grantor Pass-through grantor Program title	Federal CFDA number	Pass-through grantor number	Federal expenditures
U.S. Department of Agriculture			
Passed through the State of Connecticut -			
Department of Education			
Child nutrition cluster:			
School breakfast program	10.553	12060-SDE64370-20508-2016	\$ 3,438
School breakfast program	10.553	12060-SDE64370-20508-2017	8,151
National school lunch program	10.555	12060-SDE64370-20560-2016	25,228
National school lunch program	10.555	12060-SDE64370-20560-2017	74,086
			<u>110,903</u>
Supplemental nutrition assistance program	10.580	12060-SDE64351-26130-2016	<u>791</u>
U.S. Department of Housing and Urban Development			
Passed through the State of Connecticut -			
Department of Housing			
Community development block grant - States program			
Housing rehabilitation loan program	14.228	12060-DOH46920-20730-2016	<u>352,085</u>
U.S. Department of Education			
Passed through the State of Connecticut -			
Department of Education			
Title I - Grants to local educational agencies	84.010	12060-SDE64370-20679-2016	21,128
Title I - Grants to local educational agencies	84.010	12060-SDE64370-20679-2017	78,172
			<u>99,300</u>
Special Education Cluster (IDEA):			
Section 611 - Special education grants to states	84.027	12060-SDE64370-20977-2016	138,784
Section 611 - Special education grants to states	84.027	12060-SDE64370-20977-2017	136,613
Section 619 - Special education preschool grants	84.173	12060-SDE64370-20983-2016	355
Section 619 - Special education preschool grants	84.173	12060-SDE64370-20983-2017	9,719
			<u>285,471</u>
Title II - Improving teacher quality state grants	84.367	12060-SDE64370-20858-2016	<u>26,301</u>
Passed through the State of Connecticut -			
Department of Education			
Passed through Eastconn			
Career and technical education - Basic grants to states	84.048	-	<u>1,912</u>
Total Expenditures of Federal Awards			<u><u>\$ 876,763</u></u>

Town of Lebanon, Connecticut
Notes to Schedule of expenditures of federal awards
June 30, 2017

Note A - Basis of presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town of Lebanon, Connecticut under programs of the federal government for the year ended June 30, 2017. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Lebanon, Connecticut, it is not intended to and does not present the financial position, changes in fund balances, changes in net positions or cash flows of the Town of Lebanon, Connecticut.

Note B - Summary of significant accounting policies

Expenditures reported on the Schedule are reported using the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C - Indirect cost rate

The Town of Lebanon, Connecticut has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note D - Noncash awards

Donated commodities in the amount of \$15,207 are included in the Department of Agriculture's National School Lunch Program, CFDA #10.555. The amount represents the market value of commodities received.

Note E - Prior loan and loan guarantees (loans)

The Town of Lebanon, Connecticut has the following loan balance outstanding at June 30, 2017. This outstanding loan balance was not included in the accompanying schedule of expenditures of federal awards in accordance with 2 CFR Section 200.205, the Basis for determining federal awards expended. Item (d) of this section states, "Loans, the proceeds of which were received and expended in prior years, are not considered Federal awards expended under this part when the Federal statutes, regulations, and the terms and conditions of Federal awards pertaining to such loans impose no continuing compliance requirements other than to repay the loans." There are currently no continuing compliance requirements relating to this loan other than repayment of the loan.

<u>Program title</u>	<u>Federal CFDA number</u>	<u>Loan amount outstanding</u>
Community facility loans	10.760	<u>\$ 4,426,416</u>

Stephen T. Hopkins, CPA, PC

Auditing , Accounting , and Consulting Services

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

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

Board of Finance
Board of Selectmen
Town of Lebanon, Connecticut

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental activities, the business-type activities, 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, 2017, 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 December 23, 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 17-01 through 17-03.

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



Scarborough, Maine
December 23, 2017

Town of Lebanon, Connecticut
Schedule of findings and questioned costs
For the year ended June 30, 2017

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 |

Federal Awards

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 2 CFR section 200.516 (a)? | <u> </u> | yes | <u> X </u> | no |

Major Programs

<u>CFDA #</u>	<u>Name of federal program</u>
14.228	Community development block grant

Dollar threshold to distinguish between Type A and Type B programs \$750,000

Did the auditee qualify as low risk? yes X no

II. Financial Statement Findings

- There were three findings relating to the financial statements which are required to be reported in accordance with GAGAS. These three findings relate to internal control over financial reporting and can be found in the following pages of the schedule of findings and questioned costs as item numbers 17-01 through 17-03.

III. Findings and Questioned Costs for Federal Awards

- There were no findings and questioned costs for federal awards which include audit findings defined in 2 CFR Section 200.516 Audit findings, paragraph (a).

IV. Summary Schedule of Prior Audit Findings

- There were no findings and questioned costs for federal awards reported in the audit report for the auditee for the year ended June 30, 2016. Therefore, no schedule has been included.

Town of Lebanon, Connecticut
Schedule of findings and questioned costs (continued)
June 30, 2017

17-01 - 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 returned checks asset account, the prepaid gas asset account, the tax collections clearing asset account and the Board of Education payroll withholding liability accounts needed material adjustments in order to match the ending balances to adequate supporting documentation.

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 a portion of this condition would appear to be that the monthly school expenditure reconciliation process between the school and the town did not specifically include these school payroll withholding liability accounts. I was unable to determine the specific reason that other non-cash asset and liability accounts either went unreconciled or that the reconciliation was not adequately documented.

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 liability 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 liability 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 other non-cash asset and liability accounts.

Town of Lebanon, Connecticut
Schedule of findings and questioned costs (continued)
June 30, 2017

17-02 - 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 did not appear to have been prepared by the school during 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 the revenues and the expenditures of the program were entered into a separate quickbooks 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 fiscal year it would also appear as though the actual school lunch program activity for this period was also not entered into this or any other 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 fact that the school currently contracts out for school lunch management services and as a result the only regular checks which are written for the program are monthly billings to the contractor. Revenues are still deposited by all three schools into the school lunch program cash account during the fiscal year.

Recommendation:

We recommend that the school develop some type of system whereby the actual revenue and expenditures of the school lunch program are either entered into the above mentioned quickbooks program or creating a new fund on the current accounting software program to account for the activity of the school lunch program. Though school lunch program deposits are traced by the school from the bank statements to deposit reports produced for each school, there still does not appear to be any one place where the fiscal year activity and end of fiscal year balances are recorded in order for that activity and those balances to be audited.

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 have currently developed a system that we do feel is adequate for matching the revenues deposited into the school lunch program cash account to the deposit reports produced for each school. We do understand the importance of having fiscal year activity and end of fiscal year balances for all cash, receivable, payable, revenue and expenditure accounts available in one place to be audited. We will continue to work with the current procedures in place with a goal of being able to accumulate all of the applicable school lunch program activity and balances at any point during the fiscal year.

Town of Lebanon, Connecticut
Schedule of findings and questioned costs (continued)
June 30, 2017

17-03 - 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 as though neither the school general fund account reconciliation or the school grants account reconciliations were forwarded to the town for review during the fiscal year. It does, however, appear as though the reconciliations for the fiscal year were forwarded to the town for review subsequent to the end of the fiscal year as the town treasurer did initial and date all of the reconciliation cover sheets on 08/24/17 which would not appear to have been in a timely manner. 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 although they do appear to have been signed and dated when reviewed it was not done in a timely manner.

Effect and cause:

Without monthly bank reconciliations being reviewed by an individual outside of the cash processing function in a timely manner, 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 in a timely manner. An explanation of any such items and or variances that may occur is important in ensuring the safeguarding of the assets of the Town.

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 in a timely manner from the end of the reconciliation period and the school grant checking account reconciliations be forwarded to a member of management outside of the school accounting function for monthly review also in a timely manner from the end of the reconciliation period.

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. Though the current fiscal year account reconciliations were not reviewed in a timely manner, we do feel that an adequate system for this review is now in place and will be utilized during the upcoming fiscal year to ensure that these reviews are performed in a timely manner from the end of the reconciliation period.

Stephen T. Hopkins, CPA, PC

Auditing, Accounting, and Consulting Services

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

Independent Auditors Report on Compliance 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, 2017. 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, 2017.

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, 2017, and the related notes to the financial statements, which collectively comprise the Town of Lebanon, Connecticut's basic financial statements. We have issued our report thereon dated December 23, 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 basic financial statements as a whole.

Stephen T. Hopkins, CPA, PC



Scarborough, Maine
December 23, 2017

Town of Lebanon, Connecticut
Schedule of expenditures of state financial assistance
For the year ended June 30, 2017

State grantor/pass through Grantor/program title	State grant program Core-CT number	Expenditures
<u>Office of Policy and Management:</u>		
Payment in lieu of taxes (PILOT) on state owned property	11000-OPM20600-17004	\$ 3,431
Disabled program	11000-OPM20600-17011	772
Property tax relief for elderly circuit breaker	11000-OPM20600-17018	39,100
Property tax relief for veterans	11000-OPM20600-17024	4,406
Municipal revenue sharing	12002-OPM20600-17102	149,163
Local capital improvement	12050-OPM20600-40254	71,696
Municipal purposes and projects	12052-OPM20600-43587	30,427
<u>Department of Education:</u>		
Child nutrition program state match	11000-SDE64370-16211	3,715
Healthy food initiative	11000-SDE64370-16212	7,531
Vocational Agriculture	11000-SDE64370-17017	263,224
Adult education	11000-SDE64370-17030	7,996
School breakfast program	11000-SDE64370-17046	8,691
<u>Office of Early Childhood:</u>		
School readiness	11000-OEC64845-12113	475
Early care and education	11000-OEC64845-16274	113,400
School readiness quality enhancement	11000-OEC64845-17097	3,881
<u>Connecticut State Library:</u>		
Connecticard payments	11000-CSL66051-17010	1,371
Historic documents preservation grant	12060-CSL66094-35150	4,000
<u>Department of Transportation:</u>		
Bus operations	12001-DOT57931-12175	32,597
Town aid road grants	12052-DOT57131-43455	303,041
Fix-it-first bridge repairs	13033-DOT57151-43123	1,004
<u>Department of Agriculture:</u>		
Agricultural viability	12060-DAG42710-90456	16,000
<u>Department of Environmental Protection:</u>		
State open space program	17071-DEP43153-43343	7,145
<u>Other Departments and miscellaneous awards:</u>		
Non-budgeted operating appropriations	34001-JUD95162-40001	2,775
Other expenses	11000-DRS16312-10020	40
Other expenses	11000-DRS16410-10020	10
Other expenses	11000-DSS60439-10020	10
Total State Financial Assistance before exempt programs		<u>\$ 1,075,901</u>

Town of Lebanon, Connecticut
Schedule of expenditures of state financial assistance (continued)
For the year ended June 30, 2017

State grantor/pass through Grantor/program title	State grant program Core-CT number	Expenditures
Exempt Programs		
<u>State Department of Education:</u>		
Education equalization grants program 82010	11000-SDE64370-17041	\$ 5,420,706
Special education excess costs	11000-SDE64370-17047	483,013
<u>Office of Policy and Management:</u>		
Mashantucket Pequot Grant	12009-OPM20600-17005	33,075
Total exempt programs		5,936,794
Total expenditures of State Financial Assistance		<u>\$ 7,012,695</u>

Town of Lebanon, Connecticut
Notes to Schedule of expenditures of state financial assistance
For the year ended June 30, 2017

The accompanying schedule of expenditures of state financial assistance includes state grant activity of the Town of Lebanon, Connecticut under programs of the State of Connecticut for the fiscal year ended June 30, 2017. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. 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 accounting principles generally accepted in the United States of America as applicable to governments. The information in the schedule of expenditures of state financial assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

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 expenditures reported on the Schedule of expenditures of state financial assistance are reported on the modified accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations to the State Single Audit Act, certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the schedule of expenditures of state financial assistance.

Town of Lebanon, Connecticut
Schedule of findings and questioned costs
For the year ended June 30, 2017

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 \$1,075,901, 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 \$200,000. The Town of Lebanon has two Type A programs for the current fiscal year based on the \$200,000 dollar threshold and therefore all of its remaining programs would be considered Type B programs. The Town has six Type B programs for which a risk assessment must be performed considering the Type B programs with expenditures in excess of \$25,000.
- In accordance with Subpart A of the risk assessment procedures, the following considerations have been applied to the Type A programs of the Town to determine whether they should be considered high risk: The dollar value of the applicable transactions, the complexity of the requirements of the program and as compared to other programs of the Town, whether the program has been tested as major during at least one of the two most recent audit periods and an assessment based on professional judgement. The Town's two Type A programs were determined to be high-risk and therefore were audited as major programs. The following two Type B programs of the Town for which a risk assessment was required were determined to be high-risk and thus were audited as major programs. The total non-exempt state financial assistance expended by the Town for the current audit period was \$1,075,901. The programs tested as major and shown below represent approximately 70% of the total non-exempt state financial assistance expended.

State grantor and program	State grant program Core-CT number	Expenditures
Local capital improvement	12050-OPM20600-40254	\$ 71,696
Vocational Agriculture	11000-SDE64370-17017	263,224
Early care and education	11000-OEC64845-16274	113,400
Town aid road grants	12052-DOT57131-43455	303,041
		<u>\$ 751,361</u>

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

Town of Lebanon, Connecticut
Schedule of findings and questioned costs (continued)
For the year ended June 30, 2017

II. Financial Statement Findings

- We issued our report, dated December 23, 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 three significant deficiencies. The details of these significant deficiencies can be found in the schedule of findings and questioned costs within the federal compliance section of these financial statements and are labeled as item numbers 17-01 through 17-03 starting on page 88. 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, 2016. Therefore, no schedule has been included.