

Town of Lebanon, Connecticut

State Compliance Audit

June 30, 2018

Stephen T. Hopkins, CPA, PC

Auditing , Accounting , and Consulting Services

Town of Lebanon, Connecticut

June 30, 2018

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 - 57
 Required supplementary information:	
Connecticut Municipal Employees Retirement System	
RSI-1 - Schedule of Town's proportionate share of the net pension liability	58
RSI-2 - Schedule of Town contributions	59
Connecticut Teachers' Retirement System	
RSI-3 - Schedule of Town's proportionate share of the net pension liability	60
RSI-4 - Schedule of Town's proportionate share of the net OPEB liability	61
Post-Retirement Healthcare Plan	
RSI-5 - Schedule of changes in net OPEB liability	62
 Other information:	
Combining Balance sheet and Statement of revenues, expenditures, and changes in fund balances for:	
Schedule A - Non-major governmental funds	63
Schedule B - Non-major special revenue funds	64 - 70
Schedule C - Non-major permanent funds	71 - 73
Combining Statement of fiduciary net position and Statement of changes in fiduciary net position for:	
Schedule D - Private purpose trust funds	74 - 75
Combining Balance sheet and or Statement of revenues, expenditures, and changes in fund balances for:	
Sub-Schedule A - Trumbull investment funds	76
Sub-Schedule B - Town capital funds	77
Sub-Schedule C - Capital non-recurring fund	78 - 79
Sub-Schedule D - Small cities program funds	80
Other Schedules:	
Sub-Schedule E - Schedule of debt limitation - Connecticut General Statutes, Section 7-374 (B)	81
Sub-Schedule F - Schedule of property taxes levied, collections and outstanding balances	82 - 83

Town of Lebanon, Connecticut

June 30, 2018

Contents

State Compliance Section:	Page
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>	84 - 85
Schedule of findings and questioned costs	86 - 88
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	89 - 90
Schedule of expenditures of state financial assistance	91 - 92
Notes to Schedule of expenditures of state financial assistance	93
Schedule of findings and questioned costs	94 - 95

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, 2018, 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 control 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 control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Lebanon, Connecticut, as of June 30, 2018, 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.

Change in Accounting Principle

As discussed in Note 17 to the financial statements, during the fiscal year ended June 30, 2018, the Town of Lebanon, Connecticut, adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The net position of the Town of Lebanon, Connecticut, has been restated to recognize the net other postemployment benefit liability in accordance with GASB Statement No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 and the pension and OPEB schedules on pages 58 through 62 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, 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, 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 31, 2018, 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

Stephen T. Hopkins, CPA, PC

Scarborough, Maine
December 31, 2018

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2018

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, 2018. 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 \$42,022,705 (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 \$41,927,841 as restated. This represents a favorable increase of \$94,864 or approximately .23%.
- 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 \$32,816,689 as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$32,552,663. This represents an increase of approximately .81% which is the result of a decrease in the related long-term debt of (\$553,163), current depreciation in the amount of \$1,832,473, current net capital asset additions in the amount of \$1,644,455 and current net disposals of (\$101,119).
- 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 \$4,775,597 as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$4,693,526. This represents an increase of approximately 1.75%. This increase is due in large part to an increase in the small cities program funds in the amount of \$55,603, an increase in the prepaid expenditures balance in the amount of \$43,626 and a decrease in the restricted investments fund in the amount of (\$43,709).
- The Town's unrestricted net position balance is the component of net position which is used to finance the day-to-day activities and operations without constraints imposed by creditors, grantors, contributors, or other rules and regulations as imposed by other governments or enabling legislation. The total unrestricted net position balance of the Town was \$4,450,419 as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$4,681,652 as restated. This represents an unfavorable decrease of approximately 4.94%. 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 \$30,513,193 for the current fiscal year. This compares to the prior fiscal year balance of \$30,489,650. This represents a slight increase of \$23,543 or approximately .08%. This is due to a number of increases in revenue categories such as property tax revenues which increased by \$279,086, the change in investment fair value which decreased by (\$138,127), operating grants and contributions which increased by \$66,311 and charges for services which decreased by (\$54,462).
- The cost of the Town's governmental activities was \$30,418,329 for the current fiscal year. The amount of these costs ultimately financed by general revenues of the Town, however, was only \$19,204,894 due to a portion of these costs being paid for by individuals receiving certain benefits through charges for services in the amount of \$1,471,591 and through operating and capital grants received from the State (state and federal dollars) in the amount of \$9,741,844. This amounts to approximately 63.14% of the cost of these governmental activities actually being financed by the general revenues of the Town. This compares to approximately 61.81% 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 \$1,075,225 in grant dollars from a number of sources including State grant funds and Federal pass-through grant funds to assist in a number of educational programs and projects from the school lunch program to improving basic programs. This compares to approximately \$1,140,806 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, 2018

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 \$210,994 leaving a current and long-term receivable amount due of \$3,026,796. Current fiscal year borrowed interest collections totaled approximately \$68,300 including currently billed amounts and previously billed amounts leaving an outstanding receivable of \$28,357. Current fiscal year user fee collections totaled approximately \$145,802 including currently billed amounts and previously billed amounts leaving an outstanding receivable of \$21,396.

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, 2018

- **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, 2018

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 4.06 to 1 compared to the end of the prior fiscal year when the total current ratio was 3.66 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 \$9,573,248. This compares to the prior fiscal year positive balance of \$9,585,885.

	Governmental activities		Business-type activities		Totals	
	2018	2017	2018	2017	2018	2017
Current assets	\$ 11,737,021	\$ 12,243,897	\$ 960,481	\$ 946,624	\$ 12,697,502	\$ 13,190,521
Other assets	3,917,288	3,854,298	3,743,914	3,905,563	7,661,202	7,759,861
Capital assets	34,066,505	34,355,642	6,070,002	6,156,717	40,136,507	40,512,359
	<u>49,720,814</u>	<u>50,453,837</u>	<u>10,774,397</u>	<u>11,008,904</u>	<u>60,495,211</u>	<u>61,462,741</u>
Deferred outflows of resources	<u>288,666</u>	<u>499,562</u>	<u>-</u>	<u>-</u>	<u>288,666</u>	<u>499,562</u>
Current liabilities	2,509,806	2,899,640	27,090	38,030	2,536,896	2,937,670
Non-current liabilities						
Due within one year	501,816	574,242	97,542	92,724	599,358	666,966
Due after one year	4,870,926	5,551,676	4,136,150	4,333,692	9,007,076	9,885,368
	<u>7,882,548</u>	<u>9,025,558</u>	<u>4,260,782</u>	<u>4,464,446</u>	<u>12,143,330</u>	<u>13,490,004</u>
Deferred inflows of resources	<u>104,227</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,227</u>	<u>-</u>
Net position:						
Net Investment capital assets	32,816,689	32,552,663	1,836,310	1,730,301	34,652,999	34,282,964
Restricted	4,755,597	4,693,526	-	-	4,755,597	4,693,526
Unrestricted	4,450,419	4,681,652	4,677,305	4,814,157	9,127,724	9,495,809
	<u>\$ 42,022,705</u>	<u>\$ 41,927,841</u>	<u>\$ 6,513,615</u>	<u>\$ 6,544,458</u>	<u>\$ 48,536,320</u>	<u>\$ 48,472,299</u>
Restricted net position:						
Expendable:						
Restricted investment funds	\$ 2,830,286	\$ 2,873,995	\$ -	\$ -	\$ 2,830,286	\$ 2,873,995
Restricted donation funds	300,191	291,584	-	-	300,191	291,584
Enabling legislation funds	81,720	76,672	-	-	81,720	76,672
Community projects	1,077,256	1,021,653	-	-	1,077,256	1,021,653
Encumbrances	47,688	49,526	-	-	47,688	49,526
Permanent funds residual	37,106	42,372	-	-	37,106	42,372
	<u>4,374,247</u>	<u>4,355,802</u>	<u>-</u>	<u>-</u>	<u>4,374,247</u>	<u>4,355,802</u>
Non-expendable:						
Prepays and inventory	62,078	18,452	-	-	62,078	18,452
Permanent funds principal	319,272	319,272	-	-	319,272	319,272
	<u>381,350</u>	<u>337,724</u>	<u>-</u>	<u>-</u>	<u>381,350</u>	<u>337,724</u>
	<u>\$ 4,755,597</u>	<u>\$ 4,693,526</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,755,597</u>	<u>\$ 4,693,526</u>

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2018

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	
	2018	2017	2018	2017	2018	2017
Program revenues						
Charges for services	\$ 1,471,591	\$ 1,526,053	\$ 238,796	\$ 281,229	\$ 1,710,387	\$ 1,807,282
Operating grants	9,611,357	9,545,046	-	-	9,611,357	9,545,046
Capital grants	130,487	71,696	-	-	130,487	71,696
General revenues						
Property tax revenues	18,638,510	18,359,424	-	-	18,638,510	18,359,424
State tax relief revenues	8,653	47,709	-	-	8,653	47,709
Other state revenues	112,247	213,729	-	-	112,247	213,729
Investment fair value change	-49,118	89,009	-	-	-49,118	89,009
Interest and dividends	136,732	133,329	1,679	1,677	138,411	135,006
Miscellaneous	452,734	478,281	9,602	14,399	462,336	492,680
Transfers	-	25,374	-	-28,632	-	-3,258
Total revenues	<u>30,513,193</u>	<u>30,489,650</u>	<u>250,077</u>	<u>268,673</u>	<u>30,763,270</u>	<u>30,758,323</u>
Expenses						
General government	1,219,600	1,004,444	-	-	1,219,600	1,004,444
Public safety	729,563	642,565	-	-	729,563	642,565
Public works	1,540,941	1,524,723	-	-	1,540,941	1,524,723
Education	21,397,265	21,250,590	-	-	21,397,265	21,250,590
Education - on behalf	2,945,941	1,993,866	-	-	2,945,941	1,993,866
Health & social	938,362	970,520	-	-	938,362	970,520
Community preservation	242,782	203,241	-	-	242,782	203,241
Unclassified and program	835,638	1,007,255	-	-	835,638	1,007,255
Capital outlay	-	-	-	-	-	-
Depreciation						
General infrastructure	512,648	507,370	-	-	512,648	507,370
Debt service						
Interest	55,589	75,511	110,660	115,895	166,249	191,406
Sewer	-	-	170,260	218,173	170,260	218,173
Total expenses	<u>30,418,329</u>	<u>29,180,085</u>	<u>280,920</u>	<u>334,068</u>	<u>30,699,249</u>	<u>29,514,153</u>
Change in net position	94,864	1,309,565	-30,843	-65,395	64,021	1,244,170
Net position - July 1 - restated	<u>41,927,841</u>	<u>40,618,276</u>	<u>6,544,458</u>	<u>6,609,853</u>	<u>48,472,299</u>	<u>47,228,129</u>
Net position - June 30	<u>\$42,022,705</u>	<u>\$41,927,841</u>	<u>\$ 6,513,615</u>	<u>\$ 6,544,458</u>	<u>\$48,536,320</u>	<u>\$48,472,299</u>
Financed by general revenues:						
Total expenses	\$30,418,329	\$29,180,085	\$ 280,920	\$ 334,068	\$30,699,249	\$29,514,153
Less charges for services	-1,471,591	-1,526,053	-238,796	-281,229	-1,710,387	-1,807,282
Less operating grants	-9,611,357	-9,545,046	-	-	-9,611,357	-9,545,046
Less capital grants	-130,487	-71,696	-	-	-130,487	-71,696
	<u>\$19,204,894</u>	<u>\$18,037,290</u>	<u>\$ 42,124</u>	<u>\$ 52,839</u>	<u>\$19,247,018</u>	<u>\$18,090,129</u>

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2018

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 item J of note 1 on page 30 and note 5 on page 40.

	Governmental activities		Business-type activities		Totals	
	2018	2017	2018	2017	2018	2017
Land and improvements	\$ 2,228,189	\$ 2,228,189	\$ -	\$ -	\$ 2,228,189	\$ 2,228,189
Buildings and improvements	37,386,189	37,093,685	-	-	37,386,189	37,093,685
Vehicles	4,958,348	4,416,725	-	-	4,958,348	4,416,725
Equipment	1,618,454	1,449,533	-	-	1,618,454	1,449,533
Infrastructure	30,263,740	29,760,221	-	-	30,263,740	29,760,221
Sewage system	-	-	6,503,574	6,503,574	6,503,574	6,503,574
Construction in progress	108,844	108,844	-	-	108,844	108,844
Total historical value	<u>76,563,764</u>	<u>75,057,197</u>	<u>6,503,574</u>	<u>6,503,574</u>	<u>83,067,338</u>	<u>81,560,771</u>
Less accumulated depreciation	<u>-42,497,259</u>	<u>-40,701,555</u>	<u>-433,572</u>	<u>-346,856</u>	<u>-42,930,831</u>	<u>-41,048,411</u>
Total capital assets (net)	<u><u>\$34,066,505</u></u>	<u><u>\$34,355,642</u></u>	<u><u>\$ 6,070,002</u></u>	<u><u>\$ 6,156,718</u></u>	<u><u>\$40,136,507</u></u>	<u><u>\$40,512,360</u></u>

Debt administration

The debt of the town includes long-term bonds, notes and capital leases payable, accrued landfill post-closure care costs and accrued compensated absences (accumulated vacation and sick time) in accordance with the established personnel policies of the Town and Board of Education and pension contributions payable, net pension liability and other post employment benefit liabilities in accordance with generally accepted accounting principles. All long-term debt related outstanding payables are incurred through the approval of the inhabitants of the Town in accordance with applicable state statutes. The applicable state debt limitations as set forth in the Connecticut General Statutes, Section 7-374 (b) and the towns outstanding balances in comparison to these limitations can be found in the schedule of debt limitations, Sub-schedule E on page 81. More detailed information on the Town debt can be found in note 6 on pages 41 and 42.

	Governmental activities		Business-type activities		Totals	
	2018	2017	2018	2017	2018	2017
Outstanding payables:						
Portion due within one year	\$ 489,816	\$ 553,163	\$ 97,542	\$ 92,724	\$ 587,358	\$ 645,887
Portion due after one year	760,000	1,249,816	4,136,150	4,333,692	4,896,150	5,583,508
Other liabilities:						
Accrued compensated absences						
School employees	44,981	34,597	-	-	44,981	34,597
Town employees	48,040	47,045	-	-	48,040	47,045
Accrued landfill post-closure	18,631	30,631	-	-	18,631	30,631
Pension contribution payable	-	9,079	-	-	-	9,079
Net pension liability	848,408	1,007,396	-	-	848,408	1,007,396
Total OPEB liability	<u>3,162,866</u>	<u>3,194,191</u>	<u>-</u>	<u>-</u>	<u>3,162,866</u>	<u>3,194,191</u>
Total debt	<u><u>\$ 5,372,742</u></u>	<u><u>\$ 6,125,918</u></u>	<u><u>\$ 4,233,692</u></u>	<u><u>\$ 4,426,416</u></u>	<u><u>\$ 9,606,434</u></u>	<u><u>\$10,552,334</u></u>

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2018

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 \$12,554,297 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 \$12,768,621, an unfavorable decrease of (\$214,314) or approximately 1.68%. This unfavorable decrease is due to the negative results of the general fund of (\$215,773), the Trumbull investment funds of (\$43,709), the town capital funds of (\$58,883) and the positive results of the small cities program funds of \$55,603 and the non-major governmental funds of \$48,438. These increases and decreases 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 \$30,430,904 for the current fiscal year in comparison to \$30,684,831 in the prior fiscal year. This represents a decrease of (\$253,927) or approximately .83%. This is due in large part to the current year change in property tax revenues which was a decrease in the amount of (\$130,513). This decrease was due to both a higher annual commitment but a lower than anticipated collection rate. In addition, the intergovernmental other revenue current year change was a decrease of (\$257,586) while the current year change in intergovernmental education revenue was a decrease of (\$655,571) due to decreases in state funding while on-behalf state benefits revenue was an increase of \$952,075.
- The total expenditures of the Town's governmental funds were \$30,645,228 for the current fiscal year in comparison to \$29,359,066 in the prior fiscal year. This represents an increase of \$1,286,162 or approximately 4.38%. 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 \$278,982 due in part to the purchase of three public works vehicles, an ambulance, a police car and a new chipper also for the public works department. The small cities program funds decreased its expenditures by (\$209,175) due in part to the completion of one grant and the approval and beginning of a 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 negative (\$215,773) for the current fiscal year in comparison to a positive \$1,037,264 for the prior fiscal year. This represents an unfavorable decrease 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 (\$44,031) lower than the budgeted revenues for the current fiscal year which is an unfavorable variance in comparison to \$857,874 higher for the prior fiscal year which was a favorable variance. The current fiscal year actual school tuition revenue received was (\$132,287) lower than the budgeted amount in comparison to \$183,559 higher for the prior fiscal year. The current fiscal year actual revenue amounts received from the State for education cost sharing and related revenues were (\$45,944) lower than the budgeted amount in comparison to \$9,351 higher for the prior fiscal year. The current fiscal year recorded tax revenues were (\$58,897) lower than the budgeted amount in comparison to \$342,423 higher for the prior fiscal year.
- The actual program expenditures in the Town's general fund were \$348,687 lower than the adjusted budgeted expenditures for the current fiscal year which is a favorable variance in comparison to \$857,842 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 \$79,405 under the original budget, the contingency account which was \$90,887 under the adjusted budget, the insurance account which was \$23,390 under the original budget and the tax collector account which was \$19,298 under the original budget amount.
- In the current fiscal year, the inhabitants of the Town approved the use of \$519,000 of its unassigned general fund balance relating to the purchase of two highway plow trucks in the amount of \$190,000 each and the purchase of a highway pickup truck in the amount of \$72,000 and a chipper in the amount of \$67,000 at a special town meeting. 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 voted to use \$317,749 of its unassigned general fund balance for similar capital non-recurring fund expenditures as well as \$190,539 for the school capital fund in accordance with State legislature section 10-248a.

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2018

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, 2018

	Primary government			Component unit
	Governmental activities	Business-type activities	Total	Volunteer fire department
Assets:				
Current assets:				
Cash	\$ 2,622,000	\$ 100	\$ 2,622,100	\$ 221,801
Investments	8,315,469	675,096	8,990,565	618,302
Accounts receivable	724,113	285,285	1,009,398	1,743
Tax acquired property	13,361	-	13,361	-
Inventory	11,946	-	11,946	-
Prepaid items	50,132	-	50,132	3,670
Total current assets	11,737,021	960,481	12,697,502	845,516
Capital assets				
Non-depreciable	2,337,033	-	2,337,033	-
Depreciable (net)	31,729,472	6,070,002	37,799,474	165,602
Total capital assets	34,066,505	6,070,002	40,136,507	165,602
Other assets				
Restricted cash	549,300	-	549,300	-
Restricted investments	3,176,210	-	3,176,210	-
Long-term accounts receivable	114,355	-	114,355	-
Notes receivable	1,028,234	2,793,103	3,821,337	-
Internal balances	-950,811	950,811	-	-
Total other assets	3,917,288	3,743,914	7,661,202	-
Total Assets	49,720,814	10,774,397	60,495,211	1,011,118
Deferred outflows of resources				
Changes related to Pensions	288,666	-	288,666	-
Liabilities:				
Accounts payable	607,579	2,785	610,364	113,788
Accrued hourly payroll	63,555	85	63,640	-
Other liabilities	155,436	-	155,436	-
Due to other funds	810	-	810	-
Unearned revenues	82,426	24,220	106,646	-
Bond anticipation note payable	1,600,000	-	1,600,000	-
Noncurrent liabilities:				
Portion due within one year	501,816	97,542	599,358	8,400
Portion due after one year	4,870,926	4,136,150	9,007,076	8,400
Total liabilities	7,882,548	4,260,782	12,143,330	130,588
Deferred inflows of resources				
Changes related to OPEB	104,227	-	104,227	-
Net Position:				
Net Investment in capital assets	32,816,689	1,836,310	34,652,999	148,802
Restricted				
Expendable	4,374,247	-	4,374,247	-
Non-expendable	381,350	-	381,350	3,670
Unrestricted	4,450,419	4,677,305	9,127,724	728,058
Total net position	\$ 42,022,705	\$ 6,513,615	\$ 48,536,320	\$ 880,530

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Statement of activities
For the year ended June 30, 2018

	Expenses	Program Revenues		
		Charges for services	Operating grants and contributions	Capital grants and contributions
Primary government:				
Governmental activities:				
General government	\$ -1,219,600	\$ 130,252	\$ 3,197	\$ -
Public safety	-729,563	204,511	1,875	-
Public works	-1,540,941	111,745	294,211	-
Education	-21,397,265	947,118	6,174,683	-
Education - on behalf	-2,945,941	-	2,945,941	-
Health & social	-938,362	58,928	34,375	-
Community preservation	-242,782	19,037	26,500	-
Unclassified and program	-835,638	-	130,575	-
Capital outlay	-	-	-	130,487
Depreciation				
General infrastructure	-512,648	-	-	-
Debt service				
Interest	-55,589	-	-	-
Total governmental activities	<u>-30,418,329</u>	<u>1,471,591</u>	<u>9,611,357</u>	<u>130,487</u>
Business-type activities:				
WPCA operating fund	-83,546	150,674	-	-
WPCA benefit assessments fund	-197,374	88,122	-	-
Total business-type activities	<u>-280,920</u>	<u>238,796</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ -30,699,249</u>	<u>\$ 1,710,387</u>	<u>\$ 9,611,357</u>	<u>\$ 130,487</u>
Component unit:				
Volunteer fire department	<u>\$ -391,932</u>	<u>\$ 179,760</u>	<u>\$ 180,099</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, 2018

	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	\$ -1,086,151	\$ -	\$ -1,086,151	\$ -
Public safety	-523,177	-	-523,177	-
Public works	-1,134,985	-	-1,134,985	-
Education	-14,275,464	-	-14,275,464	-
Education - on behalf	-	-	-	-
Health & social	-845,059	-	-845,059	-
Community preservation	-197,245	-	-197,245	-
Unclassified and program	-705,063	-	-705,063	-
Capital outlay	130,487	-	130,487	-
Depreciation				
General infrastructure	-512,648	-	-512,648	-
Debt service				
Interest	-55,589	-	-55,589	-
Total governmental activities	-19,204,894	-	-19,204,894	-
Business-type activities:				
WPCA operating fund	-	67,128	67,128	-
WPCA benefit assessments fund	-	-109,252	-109,252	-
Total business-type activities	-	-42,124	-42,124	-
Total primary government	-19,204,894	-42,124	-19,247,018	-
Component unit:				
Volunteer fire department	-	-	-	-32,073
General revenues:				
Property tax revenues	18,638,510	-	18,638,510	-
State property tax relief revenues	8,653	-	8,653	-
Other unclassified state revenues	112,247	-	112,247	-
Net change in fair value of investments	-49,118	-	-49,118	10,324
Interest and dividends	136,732	1,679	138,411	17,147
Miscellaneous	452,734	9,602	462,336	35,336
Transfers	-	-	-	-
Total general revenues	19,299,758	11,281	19,311,039	62,807
Change in net position	94,864	-30,843	64,021	30,734
Net position - July 1	43,146,529	6,544,458	49,690,987	849,796
Prior period adjustment - Note 17	-1,218,688	-	-1,218,688	-
Net position - July 1 - restated	41,927,841	6,544,458	48,472,299	849,796
Net position - June 30	\$ 42,022,705	\$ 6,513,615	\$ 48,536,320	\$ 880,530

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Balance sheet - Governmental funds
June 30, 2018

	General fund	Trumbull investment funds	Town capital funds	Small cities program funds	Non-major governmental funds	Totals
Assets						
Cash	\$ 2,671,580	\$ -	\$ -	\$ 75,462	\$ 337,911	\$ 3,084,953
Investments	6,674,523	2,830,286	1,626,626	-	360,244	11,491,679
Receivables (net of allowance)						
Property taxes	604,147	-	-	-	-	604,147
Intergovernmental	-	-	-	-	52,678	52,678
Other	58,269	-	9,019	-	-	67,288
Notes receivable	-	-	-	1,028,234	-	1,028,234
Tax acquired property	13,361	-	-	-	-	13,361
Inventory	-	-	-	-	11,946	11,946
Prepaid items	47,282	-	1,350	-	1,500	50,132
Due from proprietary funds	25,841	-	-	-	-	25,841
Due from private purpose trusts	415	-	-	-	-	415
Due from other funds	331,297	-	1,599,525	-	1,012,675	2,943,497
Total assets	<u>\$ 10,426,715</u>	<u>\$ 2,830,286</u>	<u>\$ 3,236,520</u>	<u>\$ 1,103,696</u>	<u>\$ 1,776,954</u>	<u>\$ 19,374,171</u>
Liabilities						
Accounts payable	\$ 346,402	\$ -	\$ 155,852	\$ 24,040	\$ 78,303	\$ 604,597
Accrued hourly payroll	53,947	-	-	-	9,608	63,555
Other liabilities	154,536	-	-	-	900	155,436
Unearned revenues	-	-	-	-	-	-
Bond anticipation note	-	-	1,600,000	-	-	1,600,000
Due to proprietary funds	950,811	-	-	-	-	950,811
Due to private purpose trusts	1,225	-	-	-	-	1,225
Due to other funds	2,611,080	-	216,778	2,400	113,239	2,943,497
Total liabilities	<u>4,118,001</u>	<u>-</u>	<u>1,972,630</u>	<u>26,440</u>	<u>202,050</u>	<u>6,319,121</u>
Deferred inflows of resources						
Unavailable revenue -						
Property taxes	500,753	-	-	-	-	500,753
Fund balances						
Nonspendable	47,282	-	1,350	-	332,718	381,350
Restricted	-	2,830,286	-	1,077,256	501,443	4,408,985
Committed	-	-	1,459,051	-	524,563	1,983,614
Assigned	47,688	-	-	-	217,157	264,845
Unassigned	5,712,991	-	-196,511	-	-977	5,515,503
Total fund balances	<u>5,807,961</u>	<u>2,830,286</u>	<u>1,263,890</u>	<u>1,077,256</u>	<u>1,574,904</u>	<u>12,554,297</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,426,715</u>	<u>\$ 2,830,286</u>	<u>\$ 3,236,520</u>	<u>\$ 1,103,696</u>	<u>\$ 1,776,954</u>	<u>\$ 19,374,171</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, 2018

Fund balances of governmental funds as shown on Statement C \$ 12,554,297

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	76,600,533	
	Less accumulated depreciation	<u>-42,534,028</u>	34,066,505
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:		500,753
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:		-82,426
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 related to pensions	288,666	
	Deferred inflows of resources related to OPEB	<u>-104,227</u>	184,439
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	-1,249,816	
	Accrued compensated balances	-93,021	
	Accrued landfill post-closure costs	-18,631	
	Net pension liability	-848,408	
	Total OPEB liability	<u>-3,162,866</u>	-5,372,742
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:		114,355
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>57,524</u>

Net position of governmental activities as shown on Statement A \$ 42,022,705

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, 2018

	General fund	Trumbull investment funds	Town capital funds	Small cities program funds	Non-major governmental funds	Totals
Revenues						
Property tax revenues	\$ 18,433,694	\$ -	\$ -	\$ -	\$ -	\$ 18,433,694
Intergovernmental - education	5,093,940	-	-	-	1,075,225	6,169,165
Intergovernmental - on behalf	2,945,941	-	-	-	-	2,945,941
Intergovernmental - tax relief	8,653	-	-	-	-	8,653
Intergovernmental - other	394,509	-	130,487	130,575	99,109	754,680
Tuition	742,506	-	-	-	-	742,506
Charges for services	454,412	-	-	-	274,673	729,085
Net change in investment fair value	-	-43,554	-	-	-5,564	-49,118
Interest and dividends	29,373	90,651	4,031	-	12,677	136,732
Miscellaneous	253,985	-	71,635	120,333	113,613	559,566
Total revenues	28,357,013	47,097	206,153	250,908	1,569,733	30,430,904
Expenditures						
Current:						
General government	931,658	-	187,428	-	69,340	1,188,426
Public safety	537,426	-	-	-	10,452	547,878
Public works	1,359,612	-	1,789	-	13,824	1,375,225
Education	18,976,370	-	132,964	-	1,333,994	20,443,328
Education - on behalf	2,945,941	-	-	-	-	2,945,941
Health & social	204,268	-	422	-	649,174	853,864
Community preservation	153,782	-	51,200	-	37,800	242,782
Unclassified and program	639,500	-	-	195,305	-	834,805
Capital outlay	-	-	1,595,183	-	24,213	1,619,396
Debt service:						
Principle	402,112	-	135,882	-	-	537,994
Interest	50,897	-	4,692	-	-	55,589
Total expenditures	26,201,566	-	2,109,560	195,305	2,138,797	30,645,228
Excess (deficiency) of revenues over (under) expenditures	2,155,447	47,097	-1,903,407	55,603	-569,064	-214,324
Other financing sources (uses)						
Transfers in	409	-	1,844,524	-	618,486	2,463,419
Transfers out	-2,371,629	-90,806	-	-	-984	-2,463,419
Total other financing sources (uses)	-2,371,220	-90,806	1,844,524	-	617,502	-
Net change in fund balance	-215,773	-43,709	-58,883	55,603	48,438	-214,324
Fund balances - July 1	6,023,734	2,873,995	1,322,773	1,021,653	1,526,466	12,768,621
Fund balances - June 30	\$ 5,807,961	\$ 2,830,286	\$ 1,263,890	\$ 1,077,256	\$ 1,574,904	\$ 12,554,297

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, 2018

Net changes in governmental fund balances as shown on Statement D \$ -214,324

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	1,644,455	
Current year depreciation expense on capital assets	-1,832,473	
Current year net revenue received relating to a capital asset disposal	-85,950	-273,968
- 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: 172,876
- 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	45,849	
Current year revenue amounts to be recorded as unearned	-82,426	-36,577
- 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 outflows for pensions	-223,325	
Amortization of and changes in deferred inflows for OPEB	-104,227	-327,552
- 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 for current year contributions and subtracted out for prior year contributions.

Prior year employer pension contributions	-151,426	
Current year employer pension contributions	163,855	12,429
- 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	537,994	
Accrued compensated balances increase	-11,379	
Accrued landfill post-closure costs decrease	12,000	
Net pension liability decrease	158,988	
Pension contribution payable decrease	9,079	
Total OPEB liability decrease	31,325	738,007
- 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	-82,415	
Current year recorded delinquent interest and lien receivable balance	114,355	31,940
- 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: -7,967

Change in net position of governmental activities as shown on Statement B \$ 94,864

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, 2018

	Original budget	Budget revisions	Final budget	Actual	Variance
Revenues					
Property tax revenues	\$ 18,492,591	\$ -	\$ 18,492,591	\$ 18,433,694	\$ -58,897
Intergovernmental - education	5,139,884	-	5,139,884	5,093,940	-45,944
Intergovernmental - tax relief	3,431	-	3,431	8,653	5,222
Intergovernmental - other	399,260	-	399,260	394,509	-4,751
Tuition	874,793	-	874,793	742,506	-132,287
Charges for services	441,344	-	441,344	454,412	13,068
Interest and dividends	18,000	-	18,000	29,373	11,373
Miscellaneous	85,800	-	85,800	253,985	168,185
Total revenues	25,455,103	-	25,455,103	25,411,072	-44,031
Expenditures					
General government:					
Legal counsel	40,000	2,098	42,098	38,740	3,358
Selectmen	148,890	-	148,890	143,183	5,707
Elections	36,698	-	36,698	25,377	11,321
Probate court	2,422	-	2,422	2,422	-
Board of finance	3,350	-	3,350	1,681	1,669
Finance office	150,549	-	150,549	145,697	4,852
Tax collector	81,295	-	81,295	61,997	19,298
Board of appeals	1,000	186	1,186	1,186	-
Town clerk	99,093	-	99,093	89,609	9,484
Assessor	76,296	-	76,296	74,170	2,126
Auditor	23,000	-	23,000	19,500	3,500
Town report	1,000	-	1,000	928	72
Computer service	118,457	-	118,457	116,554	1,903
Town hall	80,589	-	80,589	74,593	5,996
Insurance	159,411	-	159,411	136,021	23,390
	1,022,050	2,284	1,024,334	931,658	92,676
Public safety:					
Police services	270,773	-	270,773	258,555	12,218
Lebanon volunteer fire department	175,000	-	175,000	175,000	-
Fire marshall	19,433	-	19,433	16,725	2,708
Burning official	3,500	-	3,500	2,555	945
Building department	61,221	-	61,221	56,466	4,755
Fire safety complex	26,787	1,258	28,045	28,045	-
Tree warden	185	-	185	80	105
	556,899	1,258	558,157	537,426	20,731
Public works:					
Department of public works	780,000	-	780,000	776,487	3,513
Buildings and grounds	135,505	-	135,505	133,012	2,493
Snow removal	219,934	35,571	255,505	257,904	-2,399
Street lights	2,422	-	2,422	2,394	28
Solid waste facility	191,782	-	191,782	174,389	17,393
Cemetery commission	13,755	-	13,755	13,556	199
Water pollution control	5,194	-	5,194	1,870	3,324
	1,348,592	35,571	1,384,163	1,359,612	24,551
Education	19,053,937	-	19,053,937	18,974,532	79,405

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, 2018

	Original budget	Budget revisions	Final budget	Actual	Variance
Health & social:					
Health department	\$ 47,474	\$ -	\$ 47,474	\$ 47,474	\$ -
Vna	1,000	-	1,000	-	1,000
Human services	21,254	-	21,254	20,949	305
Wcmh Paramedic program	35,123	-	35,123	31,693	3,430
United services	5,252	-	5,252	5,252	-
Switch board	19,879	-	19,879	19,729	150
Special events	1,000	-	1,000	777	223
Senior center operations	82,888	-	82,888	78,394	4,494
	<u>213,870</u>	<u>-</u>	<u>213,870</u>	<u>204,268</u>	<u>9,602</u>
Community preservation:					
Planning and zoning	150,195	-	150,195	149,087	1,108
Zoning board of appeals	5,060	-	5,060	1,069	3,991
Economic development commission	2,000	-	2,000	1,490	510
Inland wetlands	2,000	-	2,000	1,984	16
Conservation commission	250	-	250	152	98
	<u>159,505</u>	<u>-</u>	<u>159,505</u>	<u>153,782</u>	<u>5,723</u>
Unclassified and program:					
Social security	122,939	-	122,939	107,499	15,440
Medical life dental insurance	366,101	-	366,101	363,689	2,412
Pension plan	170,061	-	170,061	163,427	6,634
Unemployment compensation	5,500	-	5,500	4,885	615
Contingency	130,000	-39,113	90,887	-	90,887
	<u>794,601</u>	<u>-39,113</u>	<u>755,488</u>	<u>639,500</u>	<u>115,988</u>
Debt service:					
Principal	402,112	-	402,112	402,112	-
Interest	50,908	-	50,908	50,897	11
	<u>453,020</u>	<u>-</u>	<u>453,020</u>	<u>453,009</u>	<u>11</u>
Total expenditures	<u>23,602,474</u>	<u>-</u>	<u>23,602,474</u>	<u>23,253,787</u>	<u>348,687</u>
Excess of revenues over (under) expenditures	<u>1,852,629</u>	<u>-</u>	<u>1,852,629</u>	<u>2,157,285</u>	<u>304,656</u>
Other financing sources (uses)					
Utilization of unassigned fund balance	-	519,000	519,000	-	-519,000
Transfers in	-	-	-	409	409
Transfers out	-1,852,629	-519,000	-2,371,629	-2,371,629	-
Total other financing sources (uses)	<u>-1,852,629</u>	<u>-</u>	<u>-1,852,629</u>	<u>-2,371,220</u>	<u>-518,591</u>
Net change in fund balance	-	-	-	-213,935	-213,935
Current year encumbrances				47,688	
Prior year encumbrances				-49,526	
Non-budgeted State on-behalf revenue				2,945,941	
Non-budgeted State on-behalf expenditure				-2,945,941	
Fund balances - July 1				<u>6,023,734</u>	
Fund Balance - June 30				<u><u>\$ 5,807,961</u></u>	

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Statement of net position
Proprietary funds
June 30, 2018

	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	\$ 86,347
Investments	-	675,096	675,096	-
Accounts receivables	21,396	1,839	23,235	-
Current portion of benefit assessment notes	-	180,710	180,710	-
Delinquent benefit assessment notes	-	52,983	52,983	-
Delinquent borrowed interest receivable	-	28,357	28,357	-
Total assets	21,496	938,985	960,481	86,347
Capital assets				
Non-depreciable	-	-	-	-
Depreciable (net)	-	6,070,002	6,070,002	-
Total capital assets	-	6,070,002	6,070,002	-
Other assets				
Non-current portion of benefit assessment notes	-	2,793,103	2,793,103	-
Internal balances	421,432	529,379	950,811	-
Total other assets	421,432	3,322,482	3,743,914	-
Total Assets	\$ 442,928	\$ 10,331,469	\$ 10,774,397	\$ 86,347
Liabilities:				
Accounts payable	\$ 2,785	\$ -	\$ 2,785	\$ 2,982
Accrued hourly payroll	85	-	85	-
Unearned revenues	24,220	-	24,220	-
Due to other funds	-	-	-	25,841
Long-term debt				
Portion due within one year	-	97,542	97,542	-
Portion due after one year	-	4,136,150	4,136,150	-
Total liabilities	27,090	4,233,692	4,260,782	28,823
Net Position:				
Net investment in capital assets	-	1,836,310	1,836,310	-
Restricted				
Expendable	-	-	-	57,524
Non-expendable	-	-	-	-
Unrestricted	415,838	4,261,467	4,677,305	-
Total net position	415,838	6,097,777	6,513,615	57,524
Total liabilities and net position	\$ 442,928	\$ 10,331,469	\$ 10,774,397	\$ 86,347

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, 2018

	Business-type activities			Governmental activities
	Enterprise funds			Internal service fund
	WPCA operating fund	WPCA assessment fund	Total	Dental fund
Operating revenues:				
Benefits assessment	\$ -	\$ 15,392	\$ 15,392	\$ -
Borrowed interest assessment	-	72,730	72,730	-
Charges for services	150,674	-	150,674	172,178
Other fees	3,656	5,772	9,428	-
Other operating revenues	174	-	174	-
Total operating revenues	154,504	93,894	248,398	172,178
Operating expenses:				
Personal services	25,379	-	25,379	-
Contractual services	-	-	-	180,145
Operation and maintenance	56,982	-	56,982	-
Depreciation	-	86,714	86,714	-
Administrative costs	1,185	-	1,185	-
Total operating expenses	83,546	86,714	170,260	180,145
Total operating income (loss)	70,958	7,180	78,138	-7,967
Nonoperating revenues (expenses):				
Investment earnings	-	1,679	1,679	-
Fiscal charges	-	-	-	-
Interest expense	-	-110,660	-110,660	-
Total nonoperating revenues (expenses)	-	-108,981	-108,981	-
Total Income (loss)	70,958	-101,801	-30,843	-7,967
Contributions and transfers:				
Capital contributions	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total contributions and transfers	-	-	-	-
Change in net position	70,958	-101,801	-30,843	-7,967
Net position - July 1	344,880	6,199,578	6,544,458	65,491
Net position - June 30	\$ 415,838	\$ 6,097,777	\$ 6,513,615	\$ 57,524

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, 2018

	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	\$ -	\$ -	\$ -	\$ 159,532
Receipts from customers and users	146,751	300,459	447,210	-
Payments for goods and services	-66,485	-	-66,485	-178,377
Payments to employees	-25,294	-	-25,294	-
Other items	175	-	175	-
Utilization of general fund cash account	-55,147	2,925	-52,222	-
Net cash from operating activities	-	303,384	303,384	-18,845
Cash flows from noncapital financing activities:				
Transfers to or from other funds	-	-	-	-
Interest paid	-	-	-	-
Net cash from noncapital financial activities	-	-	-	-
Cash flows from capital and related financing activities:				
Principal payments of long-term debt	-	-192,724	-192,724	-
Interest payments of long-term debt	-	-110,660	-110,660	-
Net cash from capital and related financing activities	-	-303,384	-303,384	-
Cash flows from investing activities:				
Investment additions	-	-	-	-
Interest and other receipts	-	1,679	1,679	-
Net cash from investing activities	-	1,679	1,679	-
Change in cash and cash equivalents	-	1,679	1,679	-18,845
Cash and cash equivalents - July 1	100	673,417	673,517	105,192
Cash and cash equivalents - June 30	<u>\$ 100</u>	<u>\$ 675,096</u>	<u>\$ 675,196</u>	<u>\$ 86,347</u>
Reconciliation of operating income (loss) to net cash from operating activities:				
Operating income (loss)	\$ 70,958	\$ 7,180	\$ 78,138	\$ -7,967
Adjustments:				
Depreciation	-	86,714	86,714	-
Changes in operating assets and liabilities				
(Increase) decrease in internal balances	-55,147	2,925	-52,222	-12,646
(Increase) decrease in accounts receivable	-4,871	206,565	201,694	-
Increase (decrease) in accrued liabilities	-6,919	-	-6,919	1,768
Increase (decrease) in other liabilities	-964	-	-964	-
Increase (decrease) in unearned revenue	-3,057	-	-3,057	-
Net cash from operating activities	<u>\$ -</u>	<u>\$ 303,384</u>	<u>\$ 303,384</u>	<u>\$ -18,845</u>

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Statement of fiduciary net position and Statement of changes
in fiduciary net position - Fiduciary funds
As of and for the year ended June 30, 2018

	Private purpose trusts	Agency funds	Total
Assets:			
Cash	\$ -	\$ 129,073	\$ 129,073
Investments	72,186	25,656	97,842
Receivables	-	-	-
Due from other funds	1,225	-	1,225
Total assets	<u>\$ 73,411</u>	<u>\$ 154,729</u>	<u>\$ 228,140</u>
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Unearned revenues	-	-	-
Due to student groups	-	125,320	125,320
Due to other groups	-	29,409	29,409
Due to other funds	415	-	415
Total liabilities	<u>415</u>	<u>154,729</u>	<u>155,144</u>
Net position:			
Restricted			
Expendable	72,996	-	72,996
Non-expendable	-	-	-
Unrestricted	-	-	-
Total net position	<u>72,996</u>	<u>-</u>	<u>72,996</u>
Total liabilities and net position	<u>\$ 73,411</u>	<u>\$ 154,729</u>	<u>\$ 228,140</u>
Additions			
Property tax revenues	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-
Interest and dividends	638	-	638
Net change in investment fair value	-286	-	-286
Miscellaneous	-	-	-
Total additions	<u>352</u>	<u>-</u>	<u>352</u>
Deductions			
Salary and wages	-	-	-
Program operating costs	2,200	-	2,200
Capital expenditures	-	-	-
Total deductions	<u>2,200</u>	<u>-</u>	<u>2,200</u>
Transfers			
Transfers in	-	-	-
Transfers out	-	-	-
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	-1,848	-	-1,848
Net position - July 1	<u>74,844</u>	<u>-</u>	<u>74,844</u>
Net position - June 30	<u>\$ 72,996</u>	<u>\$ -</u>	<u>\$ 72,996</u>

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2018

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 \$9,019 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. The memorial fund trust is to be used for memorial type activities.

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2018

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, 2018

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, 2018

- 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 the 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, 2018

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, 2018

E. Revenue recognition - property taxes

The Town's property tax for the current year was levied May 19, 2017 on the grand list as of October 1, 2016, 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, 2017, and January 1, 2018. Supplemental motor vehicle taxes were due on January 1, 2018. 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 \$724,113 is made up of general property taxes receivable of \$604,147, state, federal and other grant receivables of \$50,272 and other miscellaneous receivables of \$69,694. The long-term accounts receivable balance of \$114,355 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 \$1,028,234 is related to a CDBG grant and loan fund program received and entered into by the Town which is more fully described in note 10 on page 44. 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 \$210,994 leaving a current and long-term receivable amount due of \$3,026,796. Current fiscal year borrowed interest collections totaled approximately \$68,300 including currently billed amounts and previously billed amounts leaving a outstanding receivable of \$28,357. Current fiscal year user fee collections totaled approximately \$145,802 including currently billed amounts and previously billed amounts leaving a outstanding receivable of \$21,396.

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, 2018

I. Inventories

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used which is in accordance with the consumption method. On the fund financial statements, inventories are presented at cost on a first-in, first-out basis and are recorded as an expenditure when used. The Town currently has recorded an inventory amount of \$11,946 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, 2018

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 \$82,426. This balance represents unspent state, federal and other grant program balances which will be used in 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 \$24,220 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. There are currently no unearned revenue balances shown on the balance sheet.

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 \$288,666. This balance is made up of current fiscal year pension contributions made by the town in the amount of \$163,855 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 as applicable, in the amount of \$124,811.

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 total OPEB 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 applicable period. The current fiscal year deferred inflows of resources balance of the governmental activities of the Town as shown on the statement of net position totaled \$104,227. This balance is made up of the actuarial determined differences between expected and actual experience and changes in actuarial assumptions related to the total OPEB liability. 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 \$500,753.

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, 2018

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 \$155,436 is made up of tax refunds issued but not yet paid of \$45,554, driveway and performance bonds which have been received but not yet fulfilled and thus not yet returned of \$95,710, payroll withholding and state amounts due of \$4,441, unclaimed property checks to either be repaid or sent to the state of \$8,101 and other miscellaneous items of \$1,630.

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 76 through 80 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, 2018

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, 2018

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	\$ 47,282	\$ -	\$ 1,350	\$ -	\$ 13,446	\$ 62,078
Permanent funds principal	-	-	-	-	319,272	319,272
	47,282	-	1,350	-	332,718	381,350
Restricted:						
Town grants	-	-	-	-	46,274	46,274
Education grants	-	-	-	-	36,152	36,152
Trumbull donations funds	-	2,830,286	-	-	218,893	3,049,179
Other town donation funds	-	-	-	-	81,298	81,298
Housing rehab income fund	-	-	-	1,077,256	-	1,077,256
Enabling legislation funds	-	-	-	-	81,720	81,720
Permanent funds non-principal	-	-	-	-	37,106	37,106
	-	2,830,286	-	1,077,256	501,443	4,408,985
Committed:						
Town construction projects	-	-	146,092	-	-	146,092
Capital nonrecurring balances	-	-	1,065,747	-	-	1,065,747
School capital fund	-	-	247,212	-	-	247,212
Lebanon public library	-	-	-	-	178,867	178,867
Lebanon recreation commission	-	-	-	-	17,916	17,916
Jonathan Trumbull Jr. house	-	-	-	-	30,570	30,570
Adams community center	-	-	-	-	68,443	68,443
Town improvement program	-	-	-	-	151,984	151,984
Senior vans program	-	-	-	-	44,116	44,116
Lake Williams project	-	-	-	-	32,667	32,667
	-	-	1,459,051	-	524,563	1,983,614
Assigned:						
Dog fund	-	-	-	-	8,982	8,982
Town donation funds	-	-	-	-	16,790	16,790
Fema storm grant funds	-	-	-	-	34,728	34,728
Summer dance festival	-	-	-	-	17,579	17,579
Cemetery lot funds	-	-	-	-	13,167	13,167
Historic building funds	-	-	-	-	10,480	10,480
Education programs	-	-	-	-	15,412	15,412
Education activity accounts	-	-	-	-	100,019	100,019
School encumbrances	47,688	-	-	-	-	47,688
	47,688	-	-	-	217,157	264,845
Unassigned:						
General fund	5,712,991	-	-	-	-	5,712,991
Town construction projects	-	-	-196,511	-	-	-196,511
Education grants	-	-	-	-	-35	-35
Permanent funds principal	-	-	-	-	-942	-942
	5,712,991	-	-196,511	-	-977	5,515,503
Total fund balances	\$ 5,807,961	\$ 2,830,286	\$ 1,263,890	\$ 1,077,256	\$ 1,574,904	\$ 12,554,297

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2018

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, 2018 was \$47,688 for the general fund as it relates to the Board of Education, and \$0 for the non-major special revenue funds as they relate to the State and Federal grant programs of the Board of Education.

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 originally presented for approval on May 1, 2017 at which time it was rejected by the inhabitants of the Town. The current fiscal year budget was then presented again for approval on November 20, 2017 at which time it was adopted by the inhabitants of the Town.

<u>Town general fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other financing sources (uses)</u>	<u>Net change in fund balance</u>
GAAP basis - Statement D	\$ 28,357,013	\$ -26,201,566	\$ -2,371,220	\$ -215,773
Current fiscal year encumbrances	-	-47,688	-	-47,688
Prior fiscal year encumbrances	-	49,526	-	49,526
State on-behalf benefits related to pensions	-2,670,539	2,670,539	-	-
State on-behalf benefits related to OPEB	-275,402	275,402		
Budgetary basis - Statement E	<u>\$ 25,411,072</u>	<u>\$ -23,253,787</u>	<u>\$ -2,371,220</u>	<u>\$ -213,935</u>

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2018

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 \$3,176,210 is made up of the balance of the investments which have been donated to the Town and whose interest and earnings are used to partially fund the operations of the Town's library, community center, and the Jonathan Trumbull Jr. house. A portion of this restricted investments balance in the amount of \$2,830,286 can also be seen on the fund financial statements balance sheet as the major fund labeled the Trumbull investment funds. In addition, the permanent funds include restricted investments in the amount of \$345,924. 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	\$ 75,462
Unearned state, federal, and other grant program balances	82,426
Principal balance of non-major permanent funds	9,501
Restricted donation funds	300,191
Enabling legislation program funds	81,720
	<u>\$ 549,300</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 \$12,339,045 which is shown in the financial statements as cash balances of \$3,300,473 and investment balances of \$9,038,572 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 \$13,250,381 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, \$1,093,954 was covered by FDIC with the remaining \$12,156,427 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, 2018

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 \$532,450 which is shown in the financial statements as cash balances of \$221,801 and investment balances of \$310,649 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 \$537,456 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 \$287,456 representing balances that were uninsured and collateralized in part, as described in the previous paragraph, by securities held by the pledging financial institutions' trust department or agent but not in the Department's name.

Investments - Primary government

The following schedule shows the different types of investments held by the Town, the maturities of those investments and the associated credit ratings as of June 30, 2018.

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	\$ 25,604	\$ 25,604	\$ -	\$ -	\$ -	AAAm
Preferred stocks	10,252	10,252	-	-	-	not rated
Exchange traded funds	353,536	353,536	-	-	-	not rated
Unit trusts	695	695	-	-	-	not rated
Money market and certificates	8,956,758	8,956,758	-	-	-	not rated
Municipal bonds	48,761	-	-	48,761	-	AAA
Municipal bonds	46,517	-	-	16,135	30,382	AA+
Municipal bonds	94,260	-	-	79,260	15,000	AA
Municipal bonds	11,106	-	-	-	11,106	BBB+
Corporate bonds	75,823	-	69,940	5,883	-	AA- to AA+
Corporate bonds	171,967	-	157,555	3,987	10,425	A- to A+
Corporate bonds	80,990	-	4,927	76,063	-	BBB+
Corporate bonds	24,278	-	24,278	-	-	BB-
	9,900,547	<u>\$ 9,346,845</u>	<u>\$ 256,700</u>	<u>\$ 230,089</u>	<u>\$ 66,913</u>	
Stock equities	1,842,154					
Mutual fund equities	424,074					
	<u>\$12,166,775</u>					
Fiduciary funds:						
Money market and certificates	\$ 81,814	<u>\$ 81,814</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	not rated
Mutual fund equities	16,028					
	<u>\$ 97,842</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, 2018

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	\$ 25,604	\$ 25,604	\$ -	\$ -
Preferred stocks	10,252	10,252	-	-
Exchange traded funds	353,536	353,536	-	-
Unit trusts	695	695	-	-
Money market and certificates	8,956,758	8,956,758	-	-
Municipal bonds	200,644	200,644	-	-
Corporate bonds	353,058	353,058	-	-
Stock equities	1,842,154	1,842,154	-	-
Mutual fund equities	424,074	424,074	-	-
	<u>\$12,166,775</u>	<u>\$12,166,775</u>	<u>\$ -</u>	<u>\$ -</u>
Fiduciary funds:				
Money market and certificates	\$ 81,814	\$ 81,814	\$ -	\$ -
Mutual fund equities	16,028	16,028	-	-
	<u>\$ 97,842</u>	<u>\$ 97,842</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, 2018.

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	\$ 310,649	<u>\$ 216,833</u>	<u>\$ 93,816</u>	<u>\$ -</u>	<u>\$ -</u>	not rated
Stock equities	9,223					
Mutual fund equities & unit trusts	298,430					
	<u>\$ 618,302</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 Departments investments are recorded at fair value and as such the fair value measurement level must be disclosed. The investments of the Department were all measured at level 1 as of June 30, 2018.

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2018

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 when present.

	Receivable due from	Payable due to
General fund:		
Town capital funds	\$ 216,778	\$ 1,599,525
Small cities program funds	2,400	-
Non-major special revenue funds	110,422	974,123
Non-major capital project funds	-	32,667
Non-major permanent funds	1,697	4,765
	<u>331,297</u>	<u>2,611,080</u>
Proprietary enterprise funds	-	950,811
Proprietary internal service funds	25,841	-
Private purpose trust funds	415	1,225
	<u><u>\$ 357,553</u></u>	<u><u>\$ 3,563,116</u></u>
Town capital funds:		
General fund	<u><u>\$ 1,599,525</u></u>	<u><u>\$ 216,778</u></u>
Small cities program funds:		
General fund	<u><u>\$ -</u></u>	<u><u>\$ 2,400</u></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 though no current fiscal year amount was approved to be transferred. 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 when present.

	Transfers in	Transfers out
General fund:		
Town capital funds	\$ -	\$ -1,844,524
Non-major special revenue funds	-	-527,105
Non-major permanent funds	409	-
	<u><u>\$ 409</u></u>	<u><u>\$ -2,371,629</u></u>
Trumbull investment funds:		
Non-major special revenue funds	<u><u>\$ -</u></u>	<u><u>\$ -90,806</u></u>
Town capital funds:		
General fund	<u><u>\$ 1,844,524</u></u>	<u><u>\$ -</u></u>

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2018

Note 5 - Capital assets

The following schedule shows the capital asset activity for the fiscal year ended June 30, 2018. 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 07/01/17	Additions	Retirements	Balance 06/30/18
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 2,228,189	\$ -	\$ -	\$ 2,228,189
Construction in progress	108,844	-	-	108,844
Total capital assets not being depreciated	2,337,033	-	-	2,337,033
Capital assets being depreciated:				
Buildings and improvements	37,093,685	292,504	-	37,386,189
Vehicles	4,416,725	679,511	-137,888	4,958,348
Equipment	1,449,533	168,921	-	1,618,454
Infrastructure	29,760,221	503,519	-	30,263,740
Total capital assets being depreciated	72,720,164	1,644,455	-137,888	74,226,731
Less accumulated depreciation for:				
Building and improvements	-16,664,569	-	-930,555	-17,595,124
Vehicles	-2,695,038	36,769	-275,603	-2,933,872
Equipment	-979,378	-	-113,667	-1,093,045
Infrastructure	-20,362,570	-	-512,648	-20,875,218
Total accumulated depreciation	-40,701,555	36,769	-1,832,473	-42,497,259
Total capital assets being depreciated (net)	32,018,609	1,681,224	-1,970,361	31,729,472
Total capital assets (net)	<u>\$ 34,355,642</u>	<u>\$ 1,681,224</u>	<u>\$ -1,970,361</u>	<u>\$ 34,066,505</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 - \$5,580, public safety - \$181,685, public works - \$155,050, health and social - \$88,934, education - \$888,576 and general infrastructure - \$512,648 for a total current fiscal year depreciation expense amount of \$1,832,473.

	Balance 07/01/17	Additions	Retirements	Balance 06/30/18
Business-type activities:				
Capital assets being depreciated:				
Lebanon Amston Lake Sewage System	\$ 6,503,574	\$ -	\$ -	\$ 6,503,574
Less accumulated depreciation	-346,857	-	-86,715	-433,572
Total capital assets being depreciated (net)	<u>\$ 6,156,717</u>	<u>\$ -</u>	<u>\$ -86,715</u>	<u>\$ 6,070,002</u>

	Balance 07/01/17	Additions	Retirements	Balance 06/30/18
Component unit:				
Capital assets being depreciated:				
Buildings, vehicles and equipment	\$ 355,747	\$ 53,126	\$ -	\$ 408,873
Less accumulated depreciation	-228,587	-	-14,684	-243,271
Total capital assets being depreciated (net)	<u>\$ 127,160</u>	<u>\$ 53,126</u>	<u>\$ -14,684</u>	<u>\$ 165,602</u>

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2018

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 07/1/17	Additions	Reductions	Balance 06/30/18	Amount due within one year
Governmental activities:					
Outstanding payables:					
\$5,750,000 bond payable	\$ 1,520,000	\$ -	\$ -380,000	\$ 1,140,000	\$ 380,000
\$486,650 note payable	22,112	-	-22,112	-	-
\$294,000 capital lease payable	102,164	-	-50,586	51,578	51,578
\$104,888 capital lease payable	30,261	-	-30,261	-	-
\$115,000 capital lease payable	65,706	-	-39,268	26,438	26,438
\$81,823 capital lease payable	62,736	-	-30,936	31,800	31,800
Total outstanding payables	1,802,979	-	-553,163	1,249,816	489,816
Other liabilities:					
Accrued comp. absences - school	34,597	10,384	-	44,981	-
Accrued comp. absences - town	47,045	995	-	48,040	-
Accrued landfill post-closure costs	30,631	-	-12,000	18,631	12,000
Pension contribution payable	9,079	-	-9,079	-	-
Net pension liability	1,007,396	-	-158,988	848,408	-
Total OPEB liability	3,194,191	-	-31,325	3,162,866	-
Total other liabilities	4,322,939	11,379	-211,392	4,122,926	12,000
Total long-term liabilities	<u>\$ 6,125,918</u>	<u>\$ 11,379</u>	<u>\$ -764,555</u>	<u>\$ 5,372,742</u>	<u>\$ 501,816</u>
Business-type activities:					
Outstanding payables:					
\$5,105,000 bond payable	<u>\$ 4,426,416</u>	<u>\$ -</u>	<u>\$ -192,724</u>	<u>\$ 4,233,692</u>	<u>\$ 97,542</u>
Component unit:					
Outstanding payables:					
\$25,200 capital lease payable	<u>\$ -</u>	<u>\$ 25,200</u>	<u>\$ -8,400</u>	<u>\$ 16,800</u>	<u>\$ 8,400</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%.

\$ 1,140,000

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%.

\$ 4,233,692

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2018

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
2019	\$ 380,000	\$ 36,100	\$ 416,100	\$ 97,542	\$ 105,842	\$ 203,384
2020	380,000	21,660	401,660	99,980	103,404	203,384
2021	380,000	7,220	387,220	102,480	100,904	203,384
2022	-	-	-	105,042	98,342	203,384
2023	-	-	-	107,668	95,716	203,384
2024 - 2028	-	-	-	580,086	436,834	1,016,920
2029 - 2033	-	-	-	656,314	360,606	1,016,920
2034 - 2038	-	-	-	742,559	274,361	1,016,920
2039 - 2043	-	-	-	840,137	176,783	1,016,920
2044 - 2048	-	-	-	901,884	66,384	968,268
	<u>\$ 1,140,000</u>	<u>\$ 64,980</u>	<u>\$ 1,204,980</u>	<u>\$ 4,233,692</u>	<u>\$ 1,819,176</u>	<u>\$ 6,052,868</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, 2018 was \$177,569. The total annual payment on this lease for the next fiscal year is equal to approximately \$52,630. The amount of this payment representing interest is equal to approximately \$1,052 leaving the net present value of future minimum lease payments equaling \$51,578.

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, 2018 was \$39,875. The total monthly payments on this lease over the next fiscal year are equal to approximately \$26,974. The amount of these payments representing interest is equal to approximately \$536 leaving the net present value of future minimum lease payments equaling \$26,438.

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, 2018 was \$8,680. The total monthly payments on this lease over the next fiscal year are equal to approximately \$32,190. The amount of these payments representing interest is equal to approximately \$390 leaving the net present value of future minimum lease payments equaling \$31,800.

Outstanding capital leases payable - Component unit:

The Department has a capital lease related to a lease purchase agreement for a power pro ambulance cot and stair pro. This lease purchase agreement runs from April of 2018 through April of 2020 with annual principal only payments of \$8,400. The gross amount of this equipment type capital asset is \$25,200. This item is being amortized over a 7 year period and the accumulated amortization (depreciation) taken as of June 30, 2018 was \$450. The total annual payment on this lease for the next two fiscal year is equal to approximately \$16,800. The amount of these payment representing interest is equal to approximately \$0 leaving the net present value of future minimum lease payments equaling \$16,800.

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2018

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, 2018, school accumulated sick balances totaled approximately \$328,708. 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, 2018 the amount outstanding for post-closure monitoring was \$18,631 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, net pension liability and total OPEB 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 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. The total OPEB liability is measured as the portion of the actuarial present value of projected benefits that is attributable to past periods of employee service. The total OPEB liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year and no later than the end of the current fiscal year, consistently applied from period to period.

Note 7 - Short-term debt

The prior fiscal year outstanding bond anticipation note payable in the amount of \$2,240,000 was paid in full with interest at 1.19% on July 13, 2017 and replaced with the current fiscal year outstanding bond anticipation note payable in the amount of \$1,600,000 due July 12, 2018 with interest at 1.35%. Both of these notes have and are being used to finance costs related to the town bridges project 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 \$166,249. The entire amount of interest expense incurred was charged to expense. For the governmental activities and funds of the town, \$50,897 was shown as a general fund line item and \$4,692 was shown in the Town capital funds relating to the capital leases of the town. For the business-type activities of the town, \$110,660 was shown as part of the WPCA benefit assessment proprietary fund.

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2018

Note 9 - 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, 2018 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	\$ 76,563,764	\$ 6,503,574	\$ 83,067,338	\$ 408,873
Less accumulated depreciation	-42,497,259	-433,572	-42,930,831	-243,271
Book value of capital assets	34,066,505	6,070,002	40,136,507	165,602
Less capital assets related debt	-1,249,816	-4,233,692	-5,483,508	-16,800
	<u>\$ 32,816,689</u>	<u>\$ 1,836,310</u>	<u>\$ 34,652,999</u>	<u>\$ 148,802</u>

Note 10 - 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, 2018, the following balances represent the loan fund described above.

Cash and restricted cash	\$ 75,462
Notes receivable (net of allowance)	1,028,234
Accounts payable	-24,040
Due to other funds	-2,400
Restricted net position and restricted fund balance	-1,077,256
	<u>\$ -</u>

Note 11 - Deficit fund balances

In accordance with GAAP, all deficit fund balances and their nature must be disclosed. As of June 30, 2018, the town capital funds major fund included one individual project cost center with a deficit fund balance. The town bridges project fund 244 had a unassigned deficit fund balance of (\$196,511). The town bridges project is currently being funded with a short-term bond anticipation note but is also expected to be financed during an upcoming fiscal year with long-term bonds. As of June 30, 2018, the town non-major special revenue funds included one individual grant with a unassigned deficit fund balance. The prior fiscal year Title II grant had an unassigned deficit fund balance of (\$35). This grant deficit is expected to be absorbed by future grant or miscellaneous revenues. As of June 30, 2018, the town non-major permanent funds included two individual funds which had unassigned deficit fund balances. The Flora Williams scholarship fund had an unassigned deficit fund balance of (\$665) and the Elizabeth Grant scholarship fund had an unassigned deficit fund balance of (\$277) both of which represent an expenditure of the nonspendable portion of the fund balance. These unassigned deficit fund balances may be funded through future investment earnings or the deficits may continue depending on the amounts expended from the fund.

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2018

Note 12 - 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.

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.

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.

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.

Pre-retirement death benefits - The plan offers a lump sum return of contributions with interest or surviving spouse benefit depending on length of service.

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.

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2018

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions -

At June 30, 2018, the Town is reporting a liability of \$848,408 for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The Town's proportion of the net pension liability was calculated based on upon the Town's pro rata share of the 2016 actuarial (expected) payroll amounts as reported by participating employers. Expected payroll adjusts actual payroll for known changes in the status of employees, annualized salaries for partial year employees and anticipated salary increases. At June 30, 2018, the Town's proportion was .513251 percent. There was no current year change in proportion.

For the year ended June 30, 2018, the Town's actuarial determined pension expense as a percentage of the total plan pension expense was \$213,376. At June 30, 2018, 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	\$ 16,129	\$ -
Changes of assumptions	-	-
Changes in proportional share of employer	40,745	-
Net difference between projected and actual earnings on Plan investments	67,937	-
Contributions subsequent to the measurement date	163,855	-
Total	<u>\$ 288,666</u>	<u>\$ -</u>

The \$163,855 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, 2019. 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:

2019	\$ 41,138
2020	83,400
2021	36,805
2022	-36,532
	<u>\$ 124,811</u>

Actuarial assumptions - The total pension liability was determined by an actuarial valuation as of June 30, 2017, 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	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.
Future cost of living adjustments	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%.

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.

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2018

Long-term rate of return - The long-term expected rate of return on pension plan investments was determined using a statistical 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. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation 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	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 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	\$ 1,450,048	\$ 848,408	\$ 338,105

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, 2017 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, 2018

Note 13 - Employees' retirement plans

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. Effective January 1, 2018, the required contribution increased to 7% of the pensionable salary.

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, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. At June 30, 2018, the Town has no proportionate share of the net pension liability. For the year ended June 30, 2018, the Town recognized pension revenue and expense of \$2,670,539 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	23,087,407
Total	<u>\$ 23,087,407</u>

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2018

Actuarial assumptions - The total pension liability was determined by an actuarial valuation as of June 30, 2017, 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	8.00%, net of pension plan investment expense, including inflation
Administrative expenses	\$0 assumption as expenses are paid for by the General Assembly
Mortality rates	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, 2018

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 14 - Other Post Employment Benefits - OPEB

Connecticut Teachers' Retirement System

Plan description - The faculty and professional personnel of the Town's Board of Education participates in the State of Connecticut's Teachers' Retirement System ("TRS"), which is a cost sharing multiple employer defined benefit pension plan that provides retirement, disability, survivorship and health insurance benefits to plan members and their beneficiaries. The TRS is governed by Connecticut General Statute ("CGS") Title 10, Chapter 167a and is administered by the Connecticut State Teachers' Retirement Board (the "Board"). The OPEB trust fund is included in the TRS, and the TRS is included in the State of Connecticut audit as a pension trust fund.

Benefits provided - The Plan covers retired teachers and administrators of public schools in the State who are receiving benefits from the Plan. The Plan provides healthcare insurance benefits to eligible retirees and their spouses. Any member that is currently receiving a retirement or disability benefit through the Plan is eligible to participate in the healthcare portion of the Plan. Subsidized Local School District Coverage provides a subsidy paid to members still receiving coverage through their former employer and the TRB Sponsored Medicare Supplemental Plans provide coverage for those participating in Medicare, but not receiving Subsidized Local School District Coverage.

Any member that is not currently participating in Medicare Parts A & B is eligible to continue health care coverage with their former employer. A subsidy of up to \$110 per month for a retired member plus an additional \$110 per month for a spouse enrolled in a local school district plan is provided to the school district to first offset the retiree's share of the cost of coverage, any remaining portion is used to offset the district's cost. The subsidy amount is set by statute, and has not increased since July of 1996. A subsidy amount of \$220 per month may be paid for a retired member, spouse or the surviving spouse of a member who has attained the normal retirement age to participate in Medicare, is not eligible for Part A of Medicare without cost, and contributes at least \$220 per month towards coverage under a local school district plan.

Any member that is currently participating in Medicare Parts A & B is eligible to either continue health care coverage with their former employer, if offered, or enroll in the plan sponsored by the System. If they elect to remain in the plan with their former employer, the same subsidies as above will be paid to offset the cost of coverage. If a member participating in Medicare Parts A & B so elects, they may enroll in one of the CTRB Sponsored Medicare Supplemental Plans. Active members, retirees, and the State pay equally toward the cost of the basic coverage (medical and prescription drug 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.

Contributions - Per CGS 10-183z, which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are amended and certified by the TRB and appropriated by the General Assembly. The State pays for one third of plan costs through annual appropriation in the General Fund. School district employers are not required to make contributions to the Plan. The cost of providing plan benefits is financed on a pay as you go basis as follows: active teachers' pay for one third of the Plan costs through a contribution of 1.25% of their pensionable salaries, and retired teachers pay for one third of the Plan costs through monthly premiums, which helps reduce the cost of health insurance for eligible retired members and dependents. Administrative costs of the Plan are to be paid by the General Assembly per Section 10-183r of the Connecticut General Statutes.

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2018

OPEB liabilities, OPEB expense, deferred outflows of resources, and deferred inflows of resources related to OPEB - The Town reports no amounts for its proportionate share of the net OPEB 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 OPEB liability, the related state support, and the total portion of the net OPEB liability that was associated with the Town were as follows. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016. At June 30, 2018, the Town has no proportionate share of the net OPEB liability. For the year ended June 30, 2018, the Town recognized OPEB revenue and expense of \$275,402 for on-behalf amounts for the benefits provided by the State.

Town's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the Town	5,942,421
Total	<u><u>\$ 5,942,421</u></u>

Actuarial assumptions and other inputs - The total OPEB 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%
Real wage growth	0.50%
Wage inflation	3.25%
Salary increases	3.25% - 6.50%, including inflation
Long-term investment rate of return	2.75%, net of OPEB plan investment expense, including inflation
Discount rate	3.56% as of June 30, 2017 which is equal to the published Bond Buyer Go 20-Bond Municipal Index rate as of the measurement date
Healthcare cost trend rates	7.25% for 2017, decreasing .50% per year, to an ultimate rate of 5.00% for 2022 and later
Mortality rates	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.

Long-term rate of return - The long-term expected rate of return on plan assets is reviewed as part of the GASB 75 valuation process. Several factors are considered in evaluation the long-term rate of return assumption, including the Plan's current asset allocations and a log-normal distribution analysis using the best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) for each major asset class. The long-term expected rate of return was determined by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Expected 10-Year geometric real rate of return	Standard deviation
U.S. Treasuries (cash equivalents)	100.0%	0.04%	2.79%
Price inflation		2.75%	
Expected rate of return (rounded nearest 0.25%)		2.75%	

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2018

Discount rate - The discount rate used to measure the total OPEB liability was 3.56%. The projection of cash flows used to determine the discount rate was performed in accordance with the applicable standards. The projection's basis was an actuarial valuation performed as of June 30, 2016. In addition to the actuarial methods and assumptions of the June 30, 2016 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annual at a rate of 3.25%.
- Employee contributions were assumed to be made at the current member contribution rate.
- Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- No future employer contributions were assumed to be made.
- For future plan members, contribution inflows were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

Based on those assumptions, the Plan's fiduciary net position was projected to be depleted in 2018 and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent rate.

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

Pension Plan Fiduciary Net Position and other information - 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 15 - Other Post Employment Benefits - OPEB

Post-Retirement Healthcare Plan

Plan description - The Board of Education of the Town provides a single employer defined benefit healthcare plan (the "Plan") 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 Town. As a result, the Town does not have an explicit liability for these post-employment benefits because retirees pay the full health insurance premium. However, the Town does have an implicit rate subsidy that recognizes the expected higher health costs attributed to retirees. 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. The Plan does not issue a publicly available financial report and is not included in the financial statements of another entity.

Benefits provided - The OPEB Plan provides a benefit for retired 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. 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. 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 funding and payment for these postemployment benefits are accounted for within the Board of Education budget within the general fund of the Town on a pay-as-you-go basis.

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2018

Employees covered by benefit terms - The following employees were covered by the benefit terms of the Plan as of July 1, 2016, the date of the last actuarial valuation.

	Participant count
Active plan members	132
Inactive plan members or beneficiaries currently receiving benefits	10
Inactive plan members entitled to but not yet receiving benefits	0
	<u>142</u>

Total OPEB liability - The Town's total OPEB liability was \$3,162,866 as of June 30, 2018. The July 1, 2016 actuarial valuation directly calculated the July 1, 2016 liability. The July 1, 2016 liability was increased by service cost and interest and decreased by benefit payments to estimate the total OPEB liability as of June 30, 2018. The liability as of June 30, 2018 was also adjusted to reflect any material plan changes after the valuation, if applicable.

Actuarial assumptions and other inputs - The total OPEB liability as of June 30, 2018 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Actuarial valuation date	July 1, 2016 as adjusted for June 30, 2018 reporting
Actuarial cost method	Entry age normal
Amortization method	Level percentage of salary
Amortization period	30 years on an open basis, as a level dollar amount
Asset valuation method	Not applicable as this is an unfunded plan
Actuarial assumptions	
Inflation	2.60%
Discount rate	3.87% as of June 30, 2018 which is equal to the published Bond Buyer Go 20-Bond Municipal Index effective as of June 30, 2018.
Rate of compensation increase	2.60%
Healthcare cost trend rates	7.50% for 2016, decreasing .50% per year, to an ultimate rate of 4.60% for 2022 and later
Mortality rates	RP-2014 adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2016

Changes in the total OPEB liability - The changes in the total OPEB liability of the Plan are made up of the following items as of June 30, 2018:

	Total OPEB liability
Balance as of June 30, 2017 - restated	\$ 3,194,191
Changes for the year:	
Service cost	72,176
Interest	115,194
Differences between expected and actual experience	-17,430
Changes of benefit terms	-
Changes of assumptions	-103,082
Benefit payments	-98,183
Net changes	<u>-31,325</u>
Balance as of June 30, 2018	<u>\$ 3,162,866</u>

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2018

Sensitivity of the total OPEB liability to changes in the discount rate - The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87%) or 1 percentage point higher (4.87%) than the current discount rate:

	1% Decrease (2.87%)	Current discount rate (3.87%)	1% Increase (4.87%)
Total OPEB liability	\$ 3,540,078	\$ 3,162,866	\$ 2,841,952

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates - The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease (6.50% decreasing to 3.60%)	Current trend rates (7.50% decreasing to 4.60%)	1% Increase (8.50% decreasing to 5.60%)
Total OPEB liability	\$ 2,819,165	\$ 3,162,866	\$ 3,575,164

OPEB expense and Deferred outflows and inflows of resources related to OPEB - For the year ended June 30, 2018, the Town's actuarial determined OPEB expense was \$149,880. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ -	\$ 15,075
Changes of assumptions	-	89,152
Total	\$ -	\$ 104,227

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the actuarial determined OPEB expense as follows:

Fiscal year ended June 30:

2019	\$ -16,285
2020	-16,285
2021	-16,285
2022	-16,285
2023	-16,285
Thereafter	-22,802
	\$ -104,227

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2018

Note 16 - Risk management, commitments and contingencies

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 and Board of Education of the Town lease a number of photocopiers under lease agreements which are classified as operating leases. The first lease agreement for the school is for a period of five years through June of 2023 with monthly payments of \$946 which equals annual payments of \$11,352. 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 February of 2023 with monthly payments of \$236 which equals annual payments of \$2,832. 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 senior van program of the Town is also leasing a van under a lease agreement which is being classified as an operating lease. The lease agreement is for a period of three years through May of 2020 with monthly payments of \$464 which equals annual payments of \$5,568. The Town and the Board of Education have a number of other immaterial operating type lease agreements which have not been included here.

The Board of Education has entered into a number of maintenance and service agreements prior to the end of the current fiscal year which extend beyond the end of the current fiscal year. 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, 2018 through June 30, 2023. 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 \$824,906, \$853,785, \$883,651, \$918,135 and \$953,923, respectively. The Board entered into a one year contract for a working facilities manager and a general maintenance technician through June 30, 2018 with two one year optional extensions at annual costs of \$257,616, \$261,468 and \$265,380, respectively. The Board entered into a one year turf and landscaping contract through June 30, 2019 at an annual cost of \$49,428. The Board entered into three year refuse and recycling agreements through June 30, 2021 relating to each of the three schools at a combined annual base cost of \$24,179. The Board entered into a one year agreement through June 30, 2019 with the option of two additional one year renewal periods for management services related to the school lunch program. The monthly management fee is \$523 for ten months at a total cost of \$5,230 and a monthly administrative fee of \$2,095 for ten months at a total cost of \$20,950. 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 a one year facilities management system, system support services and temperature control agreement through June 30, 2019 at a cost of \$17,568. The Board entered into a two year internet service agreement through June 30, 2019 at an annual cost of \$14,400.

The Town has entered into a number of maintenance and service agreements prior to the end of the current fiscal year which extend beyond the end of the current fiscal year. The Town entered into a two year mowing and grounds maintenance contract through December 1, 2018 at an annual cost of \$17,495 payable in nine equal monthly installments. The Town 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 clerks office entered into a three year hosted services contract through August 31, 2019 with monthly payments of \$1,315 at an annual cost of \$15,780. The Town entered into a one year managed support services and software resources agreement through June 30, 2019 at a cost of \$15,168. The Town entered into two one year cleaning services contracts each through June 30, 2019 at a cost of \$13,640 and \$10,404. The Town and the Board of Education entered into a one year agreement through June 30, 2019 to purchase heating oil, diesel fuel and gasoline at agreed upon per gallon rates, excluding applicable taxes, for a specified minimum number of gallons. Heating fuel will be purchased at a rate of \$2.1604 for a minimum of 89,600 gallons or \$193,572. Diesel fuel will be purchase at a rate of \$2.1539 for a minimum of 46,000 gallons or \$99,079. Gasoline will be purchased at a rate of \$2.1437 for a minimum of 18,000 gallons or \$38,587. 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.

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2018

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, 2018 may be impaired. In the opinion of the management of the Town, there are no unrecorded significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants, therefore, no provision has been recorded in the accompanying basic financial statements for such possible contingencies. In addition, the Town occasionally books unbilled accounts receivable representing earned or recognized grant or contract dollars which have not yet been billed or received. Any subsequent modification or amendments to these grants or contracts could result in a loss to the Town. However, in the opinion of the management of the Town there are no unrecorded significant contingent liabilities in regard to these unbilled accounts receivable. Any material subsequent modifications or amendments would be shown by the Town as a restatement of the prior fiscal year results in which the applicable unbilled receivable had been booked.

Note 17 - Implementation of Accounting Standards

Effective July 1, 2017, the Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 81, *Irrevocable Split Interest Agreements*, GASB Statement No. 85, *Omnibus 2017*, and GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The adoption of these statements did not have a material effect on the Town's financial statements.

Effective July 1, 2017, the Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statement No. 75 established standards for recognizing and measuring liabilities, deferred outflows and inflows of resources, and expenses/expenditures for post employment benefits other than pensions. This standard identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, this statement provides for certain required supplementary information and note disclosures about post employment benefits other than pensions. This liability relates to the Post-Retirement Healthcare Plan administered by the Board of Education of the Town. The Town has reported the following cumulative effect of applying GASB Statement No. 75 as a prior period adjustment of beginning net position balance of the governmental activities as of July 1, 2017 as shown on the statement of activities. Additional comparative balances within the notes to the financial statements as well as the management discussion and analysis section were also restated as a result of this change when possible. In addition, an adjustment was necessary to correct prior period recorded town pension contributions.

	Governmental activities
Net position - July 1	\$ 43,146,529
Adjustment to remove the net other postemployment benefit obligation recognized under GASB Statement No. 45	1,962,100
Adjustment to record net other postemployment liability recognized under GASB Statement No. 75	-3,194,191
Adjustment to correct recorded town pension contributions in accordance with GASB Statement No. 68	13,403
Net position - July 1 - restated	<u>\$ 41,927,841</u>

Note 18 - Recently issued accounting standards

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.

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2018

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 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

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for the Town's reporting period beginning July 1, 2018. The Town has not yet determined the impact that this statement might have on its financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objective of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement should be applied prospectively and 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.

Note 19 - Subsequent events

The Town has evaluated subsequent events through December 31, 2018, the date to which the financial statements were available to be issued. The Town entered into a bond anticipation note agreement dated July 12, 2018 to provide interim funding for town bridges project. The amount of the note is \$2,600,000 with a maturity date of July 11, 2019 with interest at a rate of 2.45%.

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)

	2018	2017	2016	2015
Town's proportion of the net pension liability	<u>0.513251%</u>	<u>0.513251%</u>	<u>0.479839%</u>	<u>0.479839%</u>
Town's proportionate share of the net pension liability	<u>\$ 848,408</u>	<u>\$ 1,007,396</u>	<u>\$ 656,951</u>	<u>\$ 465,732</u>
Town's covered-employee payroll	<u>\$ 1,395,698</u>	<u>\$ 1,330,633</u>	<u>\$ 1,250,271</u>	<u>\$ 1,234,868</u>
Town's proportion share of the net pension liability as a percentage of its covered-employee payroll	<u>60.79%</u>	<u>75.71%</u>	<u>52.54%</u>	<u>37.72%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>91.68%</u>	<u>88.29%</u>	<u>92.72%</u>	<u>90.48%</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 following actuarial methods and assumptions were used to determine the most recent contributions reported in that schedule:

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	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
Future cost of living adjustments	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
Schedule of Town contributions
Connecticut Municipal Employees Retirement System
Last ten fiscal years (for all years available)

	2018	2017	2016	2015
Contractually required contribution	\$ 163,855	\$ 151,426	\$ 142,281	\$ 147,937
Contributions in relation to the contractually required contribution	<u>-163,855</u>	<u>-151,426</u>	<u>-142,281</u>	<u>-147,937</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	<u>\$ 1,395,698</u>	<u>\$ 1,330,633</u>	<u>\$ 1,250,271</u>	<u>\$ 1,234,868</u>
Contributions as a percentage of covered employee payroll	<u>11.74%</u>	<u>11.38%</u>	<u>11.38%</u>	<u>11.98%</u>

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)

	2018	2017	2016	2015
Town's proportion of the net pension liability	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Town's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>23,087,407</u>	<u>24,357,391</u>	<u>21,730,557</u>	<u>20,085,545</u>
Total	<u>\$ 23,087,407</u>	<u>\$ 24,357,391</u>	<u>\$ 21,730,557</u>	<u>\$ 20,085,545</u>
Town's covered-employee payroll	<u>\$ 7,317,885</u>	<u>\$ 7,053,387</u>	<u>\$ 8,077,364</u>	<u>\$ 7,785,412</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>	<u>0.00%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>55.93%</u>	<u>52.26%</u>	<u>59.50%</u>	<u>61.51%</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

The following actuarial methods and assumptions were used to determine the most recent contributions reported in that schedule:

Inflation	2.75%
Salary increases	3.25% to 6.50%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation
Administrative expenses	\$0 assumption as expenses are paid for by the General Assembly
Mortality rates	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

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

	2018
Town's proportion of the net OPEB liability	0.00%
Town's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the Town	5,942,421
Total	\$ 5,942,421
Town's covered-employee payroll	\$ 7,317,885
Town's proportion share of the net OPEB liability as a percentage of its covered-employee payroll	0.00%
Plan fiduciary net position as a percentage of the total pension liability	1.79%

Notes to schedule:

Changes in benefit terms and assumptions:

There were no changes in benefit terms. The discount rate was increased from 3.01% to 3.56% to reflect the change in the Municipal Bond Index rate. Changes were also made to the assumed initial per capita healthcare costs, rates of healthcare inflation used to project the per capital costs, and the rates of Plan participation based upon recent experience and current expectations. In addition, the payroll growth rate assumption was decreased from 3.75% to 3.25% to reflect the decrease in the rate of inflation and the decrease in the rate of real wage increase. Lastly, the salary growth assumption, the payroll growth rate, the rates of withdrawal, the rates of retirement, the rates of mortality, and the rates of disability incidence were adjusted based upon the experience study's findings and their adoption by the TRB Board.

Methods and assumptions used in calculations of actuarial determined

The following actuarial methods and assumptions were used to determine the most recent contributions reported in that schedule:

Inflation	2.75%
Real wage growth	0.50%
Wage inflation	3.25%
Salary increases	3.25% - 6.50%, including inflation
Long-term investment rate of return	2.75%, net of OPEB plan investment expense, including inflation
Discount rate	3.56% as of June 30, 2017 which is equal to the published Bond Buyer Go 20-Bond Municipal Index rate as of the measurement date
Healthcare cost trend rates	7.25% for 2017, decreasing .50% per year, to an ultimate rate of 5.00% for 2022

Town of Lebanon, Connecticut
Schedule of changes in total OPEB liability
Post-Retirement Healthcare Plan
Last ten fiscal years (for all years available)

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 72,176
Interest	115,194
Differences between expected and actual experience	-17,430
Changes of benefit terms	-
Changes of assumptions	-103,082
Benefit payments	<u>-98,183</u>
Net change in total OPEB liability	-31,325
Total OPEB liability - beginning	<u>3,194,191</u>
Total OPEB liability - ending	<u><u>\$ 3,162,866</u></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, 2018

	Non-major special revenue funds	Non-major capital project fund	Non-major permanent funds	Totals
Assets				
Cash	\$ 330,347	\$ -	\$ 7,564	\$ 337,911
Investments	14,320	-	345,924	360,244
Receivables	52,678	-	-	52,678
Inventory and prepaids	13,446	-	-	13,446
Due from other funds	975,243	32,667	4,765	1,012,675
Total assets	<u>1,386,034</u>	<u>32,667</u>	<u>358,253</u>	<u>1,776,954</u>
Liabilities				
Accrued liabilities	87,911	-	-	87,911
Other liabilities	900	-	-	900
Due to other funds	110,422	-	2,817	113,239
Total liabilities	<u>199,233</u>	<u>-</u>	<u>2,817</u>	<u>202,050</u>
Fund balance				
Nonspendable	13,446	-	319,272	332,718
Restricted	464,337	-	37,106	501,443
Committed	491,896	32,667	-	524,563
Assigned	217,157	-	-	217,157
Unassigned	-35	-	-942	-977
Total fund balance	<u>1,186,801</u>	<u>32,667</u>	<u>355,436</u>	<u>1,574,904</u>
Total liabilities and fund balance	<u>\$ 1,386,034</u>	<u>\$ 32,667</u>	<u>\$ 358,253</u>	<u>\$ 1,776,954</u>
Revenues				
Intergovernmental revenues	\$ 1,174,334	\$ -	\$ -	\$ 1,174,334
Interest and investment earnings	1,533	-	5,580	7,113
Charges for services	274,673	-	-	274,673
Miscellaneous	113,613	-	-	113,613
Total revenues	<u>1,564,153</u>	<u>-</u>	<u>5,580</u>	<u>1,569,733</u>
Expenditures				
Salary and wages	930,393	-	-	930,393
Program operating costs	1,152,834	20,750	10,607	1,184,191
Capital expenditures	24,213	-	-	24,213
Total expenditures	<u>2,107,440</u>	<u>20,750</u>	<u>10,607</u>	<u>2,138,797</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-543,287</u>	<u>-20,750</u>	<u>-5,027</u>	<u>-569,064</u>
Other financing sources (uses)				
Transfers in	618,486	-	-	618,486
Transfers out	-	-	-984	-984
Total other financing sources (uses)	<u>618,486</u>	<u>-</u>	<u>-984</u>	<u>617,502</u>
Net change in fund balance	75,199	-20,750	-6,011	48,438
Fund balance - July 1	<u>1,111,602</u>	<u>53,417</u>	<u>361,447</u>	<u>1,526,466</u>
Fund balance - June 30	<u>\$ 1,186,801</u>	<u>\$ 32,667</u>	<u>\$ 355,436</u>	<u>\$ 1,574,904</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, 2018

	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	\$ -	\$ -	\$ 3,577	\$ 40,775	\$ -
Investments	-	-	-	-	-
Receivables	-	-	-	-	-
Inventory and prepaids	-	-	-	-	-
Due from other funds	190,574	6,649	21,984	-	69,462
Total assets	190,574	6,649	25,561	40,775	69,462
Liabilities					
Accrued liabilities	10,807	-	7,645	918	1,019
Other liabilities	900	-	-	-	-
Due to other funds	-	-	-	9,287	-
Total liabilities	11,707	-	7,645	10,205	1,019
Fund balance					
Nonspendable	-	-	-	-	-
Restricted	-	6,649	-	-	-
Committed	178,867	-	17,916	30,570	68,443
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balance	178,867	6,649	17,916	30,570	68,443
Total liabilities and fund balance	\$ 190,574	\$ 6,649	\$ 25,561	\$ 40,775	\$ 69,462
Revenues					
Intergovernmental revenues	\$ 1,778	\$ -	\$ -	\$ -	\$ -
Interest and investment earnings	-	-	1	614	-
Charges for services	-	-	44,485	-	2,800
Miscellaneous	10,479	-	755	25	-
Total revenues	12,257	-	45,241	639	2,800
Expenditures					
Salary and wages	255,116	-	39,056	10,614	-
Program operating costs	86,826	2,056	65,787	10,277	17,346
Capital expenditures	-	-	-	-	-
Total expenditures	341,942	2,056	104,843	20,891	17,346
Excess (deficiency) of revenues over (under) expenditures	-329,685	-2,056	-59,602	-20,252	-14,546
Other financing sources (uses)					
Transfers in	332,403	-	57,900	16,998	25,465
Transfers out	-	-	-	-	-
Total other financing sources (uses)	332,403	-	57,900	16,998	25,465
Net change in fund balance	2,718	-2,056	-1,702	-3,254	10,919
Fund balance - July 1	176,149	8,705	19,618	33,824	57,524
Fund balance - June 30	\$ 178,867	\$ 6,649	\$ 17,916	\$ 30,570	\$ 68,443

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, 2018

	Town improvement program fund - 208	Bright idea grant fund - 208	Senior vans program fund - 221	Lathrop senior vans donation fund - 231	Lebanon dog fund fund - 205
Assets					
Cash	\$ -	\$ -	\$ 144	\$ -	\$ -
Investments	-	-	-	2,864	-
Receivables	-	-	-	-	-
Inventory and prepaids	-	-	-	-	-
Due from other funds	153,908	2,803	46,733	214	9,372
Total assets	153,908	2,803	46,877	3,078	9,372
Liabilities					
Accrued liabilities	1,924	-	2,761	-	390
Other liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	1,924	-	2,761	-	390
Fund balance					
Nonspendable	-	-	-	-	-
Restricted	-	2,803	-	-	-
Committed	151,984	-	44,116	-	-
Assigned	-	-	-	3,078	8,982
Unassigned	-	-	-	-	-
Total fund balance	151,984	2,803	44,116	3,078	8,982
Total liabilities and fund balance	\$ 153,908	\$ 2,803	\$ 46,877	\$ 3,078	\$ 9,372
Revenues					
Intergovernmental revenues	\$ -	\$ -	\$ 32,597	\$ -	\$ -
Interest and investment earnings	-	-	-	30	-
Charges for services	-	-	4,784	-	2,519
Miscellaneous	-	5,000	-	-	-
Total revenues	-	5,000	37,381	30	2,519
Expenditures					
Salary and wages	-	-	81,051	-	-
Program operating costs	46,093	2,197	32,411	-	25,038
Capital expenditures	-	-	7,713	-	-
Total expenditures	46,093	2,197	121,175	-	25,038
Excess (deficiency) of revenues over (under) expenditures	-46,093	2,803	-83,794	30	-22,519
Other financing sources (uses)					
Transfers in	100,000	-	65,000	-	20,720
Transfers out	-	-	-	-	-
Total other financing sources (uses)	100,000	-	65,000	-	20,720
Net change in fund balance	53,907	2,803	-18,794	30	-1,799
Fund balance - July 1	98,077	-	62,910	3,048	10,781
Fund balance - June 30	\$ 151,984	\$ 2,803	\$ 44,116	\$ 3,078	\$ 8,982

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, 2018

	Trumbull donations fund - 218	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
Assets					
Cash	\$ -	\$ 46,533	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Receivables	-	26,011	-	-	-
Inventory and prepaids	-	11,946	-	-	-
Due from other funds	218,893	1,241	24,696	5,080	51,944
Total assets	218,893	85,731	24,696	5,080	51,944
Liabilities					
Accrued liabilities	-	58,373	-	-	-
Other liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	-	58,373	-	-	-
Fund balance					
Nonspendable	-	11,946	-	-	-
Restricted	218,893	-	24,696	5,080	51,944
Committed	-	-	-	-	-
Assigned	-	15,412	-	-	-
Unassigned	-	-	-	-	-
Total fund balance	218,893	27,358	24,696	5,080	51,944
Total liabilities and fund balance	\$ 218,893	\$ 85,731	\$ 24,696	\$ 5,080	\$ 51,944
Revenues					
Intergovernmental revenues	\$ -	\$ 123,739	\$ 4,000	\$ -	\$ -
Interest and investment earnings	-	15	-	-	-
Charges for services	-	204,612	2,817	1,140	3,276
Miscellaneous	5,000	2,708	-	-	-
Total revenues	5,000	331,074	6,817	1,140	3,276
Expenditures					
Salary and wages	-	-	-	-	-
Program operating costs	2,920	329,687	4,224	-	1,961
Capital expenditures	-	-	-	-	-
Total expenditures	2,920	329,687	4,224	-	1,961
Excess (deficiency) of revenues over (under) expenditures	2,080	1,387	2,593	1,140	1,315
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	2,080	1,387	2,593	1,140	1,315
Fund balance - July 1	216,813	25,971	22,103	3,940	50,629
Fund balance - June 30	\$ 218,893	\$ 27,358	\$ 24,696	\$ 5,080	\$ 51,944

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, 2018

	Unimproved town roads grant fund - 207	Agriculture viability grant account - 2217	Agriculture viability grant account - 2217	Clean bank energy grant account - 2103	Fema storm grants fund - 228
Assets					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Receivables	-	10,274	7,000	-	-
Inventory and prepaids	-	-	-	-	-
Due from other funds	43,471	-	-	-	35,279
Total assets	43,471	10,274	7,000	-	35,279
Liabilities					
Accrued liabilities	-	-	-	-	551
Other liabilities	-	-	-	-	-
Due to other funds	-	10,274	7,000	-	-
Total liabilities	-	10,274	7,000	-	551
Fund balance					
Nonspendable	-	-	-	-	-
Restricted	43,471	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	34,728
Unassigned	-	-	-	-	-
Total fund balance	43,471	-	-	-	34,728
Total liabilities and fund balance	\$ 43,471	\$ 10,724	\$ 7,000	\$ -	\$ 35,279
Revenues					
Intergovernmental revenues	\$ 38,234	\$ 10,274	\$ 7,000	\$ -	\$ -
Interest and investment earnings	-	-	-	-	-
Charges for services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	38,234	10,274	7,000	-	-
Expenditures					
Salary and wages	-	-	-	-	3,564
Program operating costs	13,824	10,274	7,000	1,000	3,937
Capital expenditures	-	-	-	-	16,500
Total expenditures	13,824	10,274	7,000	1,000	24,001
Excess (deficiency) of revenues over (under) expenditures	24,410	-	-	-1,000	-24,001
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	24,410	-	-	-1,000	-24,001
Fund balance - July 1	19,061	-	-	1,000	58,729
Fund balance - June 30	\$ 43,471	\$ -	\$ -	\$ -	\$ 34,728

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, 2018

	Warm hearts donations program fund - 209	Lathrop senior center donation fund - 231	Miscellaneous donations fund - 230	Summer dance fest fund - 216
Assets				
Cash	\$ -	\$ -	\$ -	\$ -
Investments	-	11,456	-	-
Receivables	-	-	5,226	-
Inventory and prepaids	-	-	-	1,500
Due from other funds	73,050	712	1,599	17,579
Total assets	73,050	12,168	6,825	19,079
Liabilities				
Accrued liabilities	-	-	1,890	-
Other liabilities	-	-	-	-
Due to other funds	-	-	1,792	-
Total liabilities	-	-	3,682	-
Fund balance				
Nonspendable	-	-	-	1,500
Restricted	73,050	-	1,599	-
Committed	-	-	-	-
Assigned	-	12,168	1,544	17,579
Unassigned	-	-	-	-
Total fund balance	73,050	12,168	3,143	19,079
Total liabilities and fund balance	\$ 73,050	\$ 12,168	\$ 6,825	\$ 19,079
Revenues				
Intergovernmental revenues	\$ -	\$ -	\$ 5,226	\$ -
Interest and investment earnings	-	121	-	-
Charges for services	-	-	4,340	-
Miscellaneous	21,008	-	-	11,112
Total revenues	21,008	121	9,566	11,112
Expenditures				
Salary and wages	-	-	-	-
Program operating costs	9,474	-	16,292	11,202
Capital expenditures	-	-	-	-
Total expenditures	9,474	-	16,292	11,202
Excess (deficiency) of revenues over (under) expenditures	11,534	121	-6,726	-90
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	11,534	121	-6,726	-90
Fund balance - July 1	61,516	12,047	9,869	19,169
Fund balance - June 30	\$ 73,050	\$ 12,168	\$ 3,143	\$ 19,079

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, 2018

	Cemetery lot sales fund - 203	Historic buildings fund - 201	Special ed excess costs grant fund - 001	School educational grants fund - 002
Assets				
Cash	\$ 39,412	\$ 10,480	\$ -	\$ 89,407
Investments	-	-	-	-
Receivables	-	-	-	4,167
Inventory and prepaids	-	-	-	-
Due from other funds	-	-	-	-
Total assets	39,412	10,480	-	93,574
Liabilities				
Accrued liabilities	-	-	-	1,633
Other liabilities	-	-	-	-
Due to other funds	26,245	-	-	55,824
Total liabilities	26,245	-	-	57,457
Fund balance				
Nonspendable	-	-	-	-
Restricted	-	-	-	36,152
Committed	-	-	-	-
Assigned	13,167	10,480	-	-
Unassigned	-	-	-	-35
Total fund balance	13,167	10,480	-	36,117
Total liabilities and fund balance	\$ 39,412	\$ 10,480	\$ -	\$ 93,574
Revenues				
Intergovernmental revenues	\$ -	\$ -	\$ 374,789	\$ 576,697
Interest and investment earnings	594	158	-	-
Charges for services	3,900	-	-	-
Miscellaneous	-	-	-	15,882
Total revenues	4,494	158	374,789	592,579
Expenditures				
Salary and wages	-	-	-	540,992
Program operating costs	300	-	374,789	40,460
Capital expenditures	-	-	-	-
Total expenditures	300	-	374,789	581,452
Excess (deficiency) of revenues over (under) expenditures	4,194	158	-	11,127
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	4,194	158	-	11,127
Fund balance - July 1	8,973	10,322	-	24,990
Fund balance - June 30	\$ 13,167	\$ 10,480	\$ -	\$ 36,117

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, 2018

	LES activity accounts fund - 900	LMS activity accounts fund - 900	LHS activity accounts fund - 900	Totals
Assets				
Cash	\$ 19,217	\$ 38,760	\$ 42,042	\$ 330,347
Investments	-	-	-	14,320
Receivables	-	-	-	52,678
Inventory and prepaids	-	-	-	13,446
Due from other funds	-	-	-	975,243
Total assets	19,217	38,760	42,042	1,386,034
Liabilities				
Accrued liabilities	-	-	-	87,911
Other liabilities	-	-	-	900
Due to other funds	-	-	-	110,422
Total liabilities	-	-	-	199,233
Fund balance				
Nonspendable	-	-	-	13,446
Restricted	-	-	-	464,337
Committed	-	-	-	491,896
Assigned	19,217	38,760	42,042	217,157
Unassigned	-	-	-	-35
Total fund balance	19,217	38,760	42,042	1,186,801
Total liabilities and fund balance	\$ 19,217	\$ 38,760	\$ 42,042	\$ 1,386,034
Revenues				
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ 1,174,334
Interest and investment earnings	-	-	-	1,533
Charges for services	-	-	-	274,673
Miscellaneous	3,069	7,268	31,307	113,613
Total revenues	3,069	7,268	31,307	1,564,153
Expenditures				
Salary and wages	-	-	-	930,393
Program operating costs	2,498	7,553	27,408	1,152,834
Capital expenditures	-	-	-	24,213
Total expenditures	2,498	7,553	27,408	2,107,440
Excess (deficiency) of revenues over (under) expenditures	571	-285	3,899	-543,287
Other financing sources (uses)				
Transfers in	-	-	-	618,486
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	618,486
Net change in fund balance	571	-285	3,899	75,199
Fund balance - July 1	18,646	39,045	38,143	1,111,602
Fund balance - June 30	\$ 19,217	\$ 38,760	\$ 42,042	\$ 1,186,801

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, 2018

	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	215,897	46,790	11,550	10,802	10,214	7,670
Receivables	-	-	-	-	-	-
Inventory and prepaids	-	-	-	-	-	-
Due from other funds	734	159	-	-	-	-
Total assets	216,631	46,949	11,550	10,802	10,214	7,670
Liabilities						
Accrued liabilities	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Due to other funds	-	-	546	108	1,120	-
Total liabilities	-	-	546	108	1,120	-
Fund balance						
Nonspendable	197,045	42,705	10,541	10,000	8,360	7,000
Restricted	19,586	4,244	463	694	734	670
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balance	216,631	46,949	11,004	10,694	9,094	7,670
Total liabilities and fund balance	\$ 216,631	\$ 46,949	\$ 11,550	\$ 10,802	\$ 10,214	\$ 7,670
Revenues						
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and investment earnings	3,593	778	192	180	170	128
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	3,593	778	192	180	170	128
Expenditures						
Salary and wages	-	-	-	-	-	-
Program operating costs	7,074	1,533	-	500	-	-
Capital expenditures	-	-	-	-	-	-
Total expenditures	7,074	1,533	-	500	-	-
Excess (deficiency) of revenues over (under) expenditures	-3,481	-755	192	-320	170	128
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-371	-	-328	-246
Total other financing sources (uses)	-	-	-371	-	-328	-246
Net change in fund balance	-3,481	-755	-179	-320	-158	-118
Fund balance - July 1	220,112	47,704	11,183	11,014	9,252	7,788
Fund balance - June 30	\$ 216,631	\$ 46,949	\$ 11,004	\$ 10,694	\$ 9,094	\$ 7,670

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, 2018

	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	Flora Williams scholarship fund - 231
Assets						
Cash	\$ 6,564	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	7,013	6,342	6,117	4,349	1,768
Receivables	-	-	-	-	-	-
Inventory and prepaids	-	-	-	-	-	-
Due from other funds	-	1,000	-	-	-	-
Total assets	6,564	8,013	6,342	6,117	4,349	1,768
Liabilities						
Accrued liabilities	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Due to other funds	-	-	269	-	341	433
Total liabilities	-	-	269	-	341	433
Fund balance						
Nonspendable	6,564	6,400	6,050	5,000	4,285	2,000
Restricted	-	1,613	23	1,117	-	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-277	-665
Total fund balance	6,564	8,013	6,073	6,117	4,008	1,335
Total liabilities and fund balance	\$ 6,564	\$ 8,013	\$ 6,342	\$ 6,117	\$ 4,349	\$ 1,768
Revenues						
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and investment earnings	3	117	107	13	74	32
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	3	117	107	13	74	32
Expenditures						
Salary and wages	-	-	-	-	-	-
Program operating costs	-	-	500	-	500	500
Capital expenditures	-	-	-	-	-	-
Total expenditures	-	-	500	-	500	500
Excess (deficiency) of revenues over (under) expenditures	3	117	-393	13	-426	-468
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-3	-	-	-	-	-
Total other financing sources (uses)	-3	-	-	-	-	-
Net change in fund balance	-	117	-393	13	-426	-468
Fund balance - July 1	6,564	7,896	6,466	6,104	4,434	1,803
Fund balance - June 30	\$ 6,564	\$ 8,013	\$ 6,073	\$ 6,117	\$ 4,008	\$ 1,335

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, 2018

	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	-	-	1,096	16,316	345,924
Receivables	-	-	-	-	-
Inventory and prepaids	-	-	-	-	-
Due from other funds	1,937	-	-	935	4,765
Total assets	1,937	1,000	1,096	17,251	358,253
Liabilities					
Accrued liabilities	-	-	-	-	-
Other liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	2,817
Total liabilities	-	-	-	-	2,817
Fund balance					
Nonspendable	1,937	1,000	1,000	9,385	319,272
Restricted	-	-	96	7,866	37,106
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-942
Total fund balance	1,937	1,000	1,096	17,251	355,436
Total liabilities and fund balance	\$ 1,937	\$ 1,000	\$ 1,096	\$ 17,251	\$ 358,253
Revenues					
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and investment earnings	-	1	19	173	5,580
Charges for services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	-	1	19	173	5,580
Expenditures					
Salary and wages	-	-	-	-	-
Program operating costs	-	-	-	-	10,607
Capital expenditures	-	-	-	-	-
Total expenditures	-	-	-	-	10,607
Excess (deficiency) of revenues over (under) expenditures	-	1	19	173	-5,027
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-1	-35	-	-984
Total other financing sources (uses)	-	-1	-35	-	-984
Net change in fund balance	-	-	-16	173	-6,011
Fund balance - July 1	1,937	1,000	1,112	17,078	361,447
Fund balance - June 30	\$ 1,937	\$ 1,000	\$ 1,096	\$ 17,251	\$ 355,436

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, 2018

	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	48,253	8,796	6,907	2,803	2,469
Receivables	-	-	-	-	-
Inventory and prepaids	-	-	-	-	-
Due from other funds	-	746	-	313	-
Total assets	48,253	9,542	6,907	3,116	2,469
Liabilities					
Accrued liabilities	-	-	-	-	-
Other liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	415
Total liabilities	-	-	-	-	415
Net position					
Restricted					
Expendable	48,253	9,542	6,907	3,116	2,054
Non-expendable	-	-	-	-	-
Unrestricted	-	-	-	-	-
Total net position	48,253	9,542	6,907	3,116	2,054
Total liabilities and net position	\$ 48,253	\$ 9,542	\$ 6,907	\$ 3,116	\$ 2,469
Additions:					
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and investment earnings	123	93	18	47	46
Charges for services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total additions	123	93	18	47	46
Deductions:					
Salary and wages	-	-	-	-	-
Program operating costs	1,000	-	350	-	500
Capital expenditures	-	-	-	-	-
Total deductions	1,000	-	350	-	500
Transfers					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total transfers	-	-	-	-	-
Change in net position	-877	93	-332	47	-454
Net position - July 1	49,130	9,449	7,239	3,069	2,508
Net position - June 30	\$ 48,253	\$ 9,542	\$ 6,907	\$ 3,116	\$ 2,054

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, 2018

	Town school prizes fund - 231	Richard Woyasz scholarship fund - 241	Robert L. Hanover scholarship fund - 241	Totals
Assets				
Cash	\$ -	\$ -	\$ -	\$ -
Investments	1,960	925	73	72,186
Receivables	-	-	-	-
Inventory and prepaids	-	-	-	-
Due from other funds	166	-	-	1,225
Total assets	<u>2,126</u>	<u>925</u>	<u>73</u>	<u>73,411</u>
Liabilities				
Accrued liabilities	-	-	-	-
Other liabilities	-	-	-	-
Due to other funds	-	-	-	415
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>415</u>
Net position				
Restricted				
Expendable	2,126	925	73	72,996
Non-expendable	-	-	-	-
Unrestricted	-	-	-	-
Total net position	<u>2,126</u>	<u>925</u>	<u>73</u>	<u>72,996</u>
Total liabilities and net position	<u>\$ 2,126</u>	<u>\$ 925</u>	<u>\$ 73</u>	<u>\$ 73,411</u>
Additions:				
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -
Interest and investment earnings	20	4	1	352
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	<u>20</u>	<u>4</u>	<u>1</u>	<u>352</u>
Deductions:				
Salary and wages	-	-	-	-
Program operating costs	-	-	350	2,200
Capital expenditures	-	-	-	-
Total deductions	<u>-</u>	<u>-</u>	<u>350</u>	<u>2,200</u>
Transfers				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	20	4	-349	-1,848
Net position - July 1	<u>2,106</u>	<u>921</u>	<u>422</u>	<u>74,844</u>
Net position - June 30	<u>\$ 2,126</u>	<u>\$ 925</u>	<u>\$ 73</u>	<u>\$ 72,996</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, 2018

	Jonathan Trumbull Jr. library fund fund - 231	Adams community center fund fund - 231	Jonathan Trumbull Jr. house fund fund - 231	Totals
Assets				
Cash	\$ -	\$ -	\$ -	\$ -
Investments	1,509,896	790,603	529,787	2,830,286
Receivables	-	-	-	-
Inventory and prepaids	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>1,509,896</u>	<u>790,603</u>	<u>529,787</u>	<u>2,830,286</u>
Liabilities				
Accrued liabilities	-	-	-	-
Other liabilities	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance				
Nonspendable	-	-	-	-
Restricted	1,509,896	790,603	529,787	2,830,286
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balance	<u>1,509,896</u>	<u>790,603</u>	<u>529,787</u>	<u>2,830,286</u>
Total liabilities and fund balance	<u>\$ 1,509,896</u>	<u>\$ 790,603</u>	<u>\$ 529,787</u>	<u>\$ 2,830,286</u>
Revenues				
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -
Interest and investment earnings	25,126	13,156	8,815	47,097
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>25,126</u>	<u>13,156</u>	<u>8,815</u>	<u>47,097</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>25,126</u>	<u>13,156</u>	<u>8,815</u>	<u>47,097</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-48,444	-25,365	-16,997	-90,806
Total other financing sources (uses)	<u>-48,444</u>	<u>-25,365</u>	<u>-16,997</u>	<u>-90,806</u>
Net change in fund balance	-23,318	-12,209	-8,182	-43,709
Fund balance - July 1	<u>1,533,214</u>	<u>802,812</u>	<u>537,969</u>	<u>2,873,995</u>
Fund balance - June 30	<u>\$ 1,509,896</u>	<u>\$ 790,603</u>	<u>\$ 529,787</u>	<u>\$ 2,830,286</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, 2018

	Capital & nonrecurring fund - 220	Town library project fund - 243	Town bridges project fund - 244	School capital fund - 245	Town green quieting title project fund - 246	Totals
Assets						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	1,626,626	-	-	1,626,626
Receivables	9,019	-	-	-	-	9,019
Inventory and prepaids	-	-	1,350	-	-	1,350
Due from other funds	1,182,888	47,212	-	261,495	107,930	1,599,525
Total assets	1,191,907	47,212	1,627,976	261,495	107,930	3,236,520
Liabilities						
Accrued liabilities	120,960	-	6,359	14,283	14,250	155,852
Other liabilities	-	-	1,600,000	-	-	1,600,000
Due to other funds	-	-	216,778	-	-	216,778
Total liabilities	120,960	-	1,823,137	14,283	14,250	1,972,630
Fund balance						
Nonspendable	-	-	1,350	-	-	1,350
Restricted	-	-	-	-	-	-
Committed	1,070,947	47,212	-	247,212	93,680	1,459,051
Assigned	-	-	-	-	-	-
Unassigned	-	-	-196,511	-	-	-196,511
Total fund balance	1,070,947	47,212	-195,161	247,212	93,680	1,263,890
Total liabilities and fund balance	\$ 1,191,907	\$ 47,212	\$ 1,627,976	\$ 261,495	\$ 107,930	\$ 3,236,520
Revenues						
Intergovernmental revenues	\$ -	\$ -	\$ 130,487	\$ -	\$ -	\$ 130,487
Interest and investment earnings	-	-	4,031	-	-	4,031
Charges for services	-	-	-	-	-	-
Miscellaneous	71,635	-	-	-	-	71,635
Total revenues	71,635	-	134,518	-	-	206,153
Expenditures						
Salary and wages	-	-	-	-	-	-
Program operating costs	382,024	-	-	34,690	97,663	514,377
Capital expenditures	1,402,702	-	97,258	95,223	-	1,595,183
Total expenditures	1,784,726	-	97,258	129,913	97,663	2,109,560
Excess (deficiency) of revenues over (under) expenditures	-1,713,091	-	37,260	-129,913	-97,663	-1,903,407
Other financing sources (uses)						
Transfers in	1,584,524	-	260,000	-	-	1,844,524
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	1,584,524	-	260,000	-	-	1,844,524
Net change in fund balance	-128,567	-	297,260	-129,913	-97,663	-58,883
Fund balance - July 1	1,199,514	47,212	-492,421	377,125	191,343	1,322,773
Fund balance - June 30	\$ 1,070,947	\$ 47,212	\$ -195,161	\$ 247,212	\$ 93,680	\$ 1,263,890

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, 2018

	Fund balance 07/01/17	Annual appropriation	Revenues	Expenditures	Transfers	Fund balance 06/30/18
General government:						
Revaluation	\$ 6,019	\$ 85,000	\$ -	\$ -89,766	\$ -	\$ 1,253
Public safety:						
Police car	-	60,000	-	-49,878	-	10,122
Police radios	191	-	-	-	-191	-
Fire apparatus reserve	18,600	52,629	-	-52,630	-	18,599
Emergency services reserve	194,308	-	31,434	-193,839	-	31,903
Fire exhaust system bays	12,880	-	-	-	-12,880	-
Lvfd 10,000 gallon water tank	20,000	-	-	-	-	20,000
Fire safety garage doors	50	-	-	-	-50	-
Fire safety passage doors	2,000	-	-	-	-	2,000
	248,029	112,629	31,434	-296,347	-13,121	82,624
Public works:						
Paving	305,562	460,000	-	-343,060	-	422,502
Loader & trucks leasing	15,230	-	-	-	-15,230	-
Tractor & mower leasing	17,657	-	-	-	-17,657	-
Truck leasing	4,487	36,698	-	-15,261	-	25,894
Truck leasing	6,049	40,463	-	-40,463	-	6,049
Public works building comm.	16,791	40,000	-	-1,789	-	55,002
Garage site assessment	128	-	-	-	-	128
Senior center car port	19,261	-	-	-19,261	-	-
Public works compact roller	10,300	-	-	-	-10,300	-
Public works extendable boom	1,150	-	-	-	-1,150	-
Public works 4 in 1 clam shell	794	-	-	-	-794	-
Public works fan unit	5	-	-	-	-5	-
Public works leaf blower	143	-	-	-	-143	-
CAT 420F2 backhoe	1,197	32,190	-	-32,190	-	1,197
Bobcat A770	903	-	-	-	-903	-
Two Ford F-350s	307	-	-	-	-	307
Town tree maintenance	-	-	35,000	-	-	35,000
2018 highway truck and plow	-	190,000	-	-181,173	-	8,827
2019 highway truck and plow	-	190,000	-	-186,640	-	3,360
2018 highway pickup and plow	-	72,000	-	-67,981	-	4,019
Wood and brush chipper	-	67,000	-	-66,403	-	597
Cemetery repairs	7,970	75,000	-	-61,700	-	21,270
Cemetery road development	8,171	-	-	-1,500	-	6,671
Communication infrastructure	-	-	5,200	-	-	5,200
	416,105	1,203,351	40,200	-1,017,451	-46,182	596,023
Health and social:						
Aspinal tennis to basketball	1	-	-	-	-1	-
Soccer field design	4,632	-	-	-422	-	4,210
Tyler field well	-	10,000	-	-	-	10,000
Library renovations	1,340	-	-	-	-	1,340
	5,973	10,000	-	-422	-1	15,550

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, 2018

	Fund balance 07/01/17	Annual appropriation	Revenues	Expenditures	Transfers	Fund balance 06/30/18
Community preservation						
Open space	\$ 285,801	\$ 50,000	\$ -	\$ -51,200	\$ -	\$ 284,601
Education:						
School improvement plan	168,713	100,000	-	-237,609	-	31,104
Technology	5,386	90,000	-	-76,633	-	18,753
Athletic facilities	26,337	30,000	-	-15,298	-	41,039
	<u>200,436</u>	<u>220,000</u>	<u>-</u>	<u>-329,540</u>	<u>-</u>	<u>90,896</u>
Unclassified						
Uncommitted fund balance	37,151	-96,456	1	-	59,304	-
Totals:	<u>\$ 1,199,514</u>	<u>\$ 1,584,524</u>	<u>\$ 71,635</u>	<u>\$ -1,784,726</u>	<u>\$ -</u>	<u>\$ 1,070,947</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, 2018

	Small cities grant FY 2015 fund - 242	Small cities grant FY 2017 fund - 242	Small cities program income fund - 219	Totals
Assets				
Cash	\$ -	\$ -	\$ 75,462	\$ 75,462
Investments	-	-	-	-
Receivables	-	-	1,028,234	1,028,234
Inventory and prepaids	-	-	-	-
Due from other funds	-	-	-	-
Total assets	-	-	1,103,696	1,103,696
Liabilities				
Accrued liabilities	-	-	24,040	24,040
Other liabilities	-	-	-	-
Due to other funds	-	-	2,400	2,400
Total liabilities	-	-	26,440	26,440
Fund balance				
Nonspendable	-	-	-	-
Restricted	-	-	1,077,256	1,077,256
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balance	-	-	1,077,256	1,077,256
Total liabilities and fund balance	\$ -	\$ -	\$ 1,103,696	\$ 1,103,696
Revenues				
Intergovernmental revenues	\$ 42,325	\$ 88,250	\$ -	\$ 130,575
Interest and investment earnings	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous	-	-	120,333	120,333
Total revenues	42,325	88,250	120,333	250,908
Expenditures				
Salary and wages	-	-	-	-
Program operating costs	42,325	88,250	64,730	195,305
Capital expenditures	-	-	-	-
Total expenditures	42,325	88,250	64,730	195,305
Excess (deficiency) of revenues over (under) expenditures	-	-	55,603	55,603
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	55,603	55,603
Fund balance - July 1	-	-	1,021,653	1,021,653
Fund balance - June 30	\$ -	\$ -	\$ 1,077,256	\$ 1,077,256

Town of Lebanon, Connecticut
Schedule of debt limitation
Connecticut General Statutes, Section 7-374 (b)
For the year ended June 30, 2018

Total tax collections (including interest and lien fees) for the current fiscal year.	\$ 18,433,694
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)	-
Total base	<u><u>\$ 18,433,694</u></u>

Debt limitation:	General purposes	Schools	Sewers	Urban renewal	Pension deficit
2 1/4 times base	\$ 41,475,812	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	82,951,623	-	-	-
3 3/4 times base	-	-	69,126,353	-	-
3 1/4 times base	-	-	-	59,909,506	-
3 times base	-	-	-	-	55,301,082
Total debt limitation	<u>41,475,812</u>	<u>82,951,623</u>	<u>69,126,353</u>	<u>59,909,506</u>	<u>55,301,082</u>

Indebtedness:

Bonds payable	273,600	866,400	4,233,692	-	-
Bonds authorized and unissued	630,000	8,296,724	1,445,000	-	-
Notes payable	-	-	-	-	-
Capital leases payable	109,816	-	-	-	-
Pension contribution payable	-	-	-	-	-
Accrued compensated absences:					
School employees	-	44,981	-	-	-
Town employees	48,040	-	-	-	-
Accrued post closure landfill costs	<u>18,631</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total indebtedness	<u>1,080,087</u>	<u>9,208,105</u>	<u>5,678,692</u>	<u>-</u>	<u>-</u>

Debt limitation in excess of outstanding and authorized debt	<u><u>\$ 40,395,725</u></u>	<u><u>\$ 73,743,518</u></u>	<u><u>\$ 63,447,661</u></u>	<u><u>\$ 59,909,506</u></u>	<u><u>\$ 55,301,082</u></u>
--	-----------------------------	-----------------------------	-----------------------------	-----------------------------	-----------------------------

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation. The maximum amount permitted under this formula would be \$129,035,858 which is well above the \$15,966,884 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, 2018 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, 2018 equal \$630,000 for the fire safety complex. The authorized and unissued bond amounts relating to sewers as of June 30, 2018 relate to the Lebanon Amston Lake Sewer District construction project. These authorized and unissued bond amounts have been included above due to the fact that the Town's interpretation that the reasons for excluding certain types of debt from inclusion in this schedule as outlined in the Connecticut General Statutes Section 7-374(b) do not apply to these items of authorized and unissued bond amounts.

Town of Lebanon, Connecticut
Schedule of property taxes levied,
collections, and outstanding balances
For the year ended June 30, 2018

Grand list	Uncollected taxes 06/30/17	Current year taxes levied	Lawful corrections		Net taxes collectable
			Additions	Deductions	
2016	\$ -	\$ 18,512,114	\$ 51,680	\$ -64,864	\$ 18,498,930
2015	257,215	-	1,999	-8,698	250,516
2014	96,495	-	-	-3,080	93,415
2013	15,468	-	1,546	-2,319	14,695
2012	4,578	-	-	-	4,578
2011	3,377	-	-	-	3,377
2010	356	-	-	-	356
2009	527	-	-	-	527
2008	507	-	-	-	507
2007	382	-	-	-	382
2006	616	-	-	-	616
2005	286	-	-	-	286
2004	273	-	-	-	273
2003	263	-	419	-	682
2002	110	-	-	-	110
2001	105	-	-	-	105
	<u>\$ 380,558</u>	<u>\$ 18,512,114</u>	<u>\$ 55,644</u>	<u>\$ -78,961</u>	<u>\$ 18,869,355</u>

Town of Lebanon, Connecticut
Schedule of property taxes levied,
collections, and outstanding balances
For the year ended June 30, 2018

Grand list	Collections during the fiscal year			Total	Adjustments	Uncollected taxes 06/30/18
	Taxes	Interest	Lien fees			
2016	\$ 18,041,046	\$ 66,672	\$ 3,258	\$ 18,110,976	\$ -	\$ 457,884
2015	138,496	32,107	1,836	172,439	-	112,020
2014	33,428	12,229	544	46,201	-39,758	20,229
2013	8,118	3,228	144	11,490	-	6,577
2012	2,123	1,340	120	3,583	-	2,455
2011	1,715	1,621	72	3,408	-	1,662
2010	-	-	-	-	-	356
2009	-	-	-	-	-	527
2008	-	-	-	-	-	507
2007	-	-	-	-	-	382
2006	-	-	-	-	-	616
2005	-	-	-	-	-	286
2004	-	-	-	-	-	273
2003	419	-	-	419	-	263
2002	-	-	-	-	-	110
2001	-	-	-	-	-105	-
	<u>\$ 18,225,345</u>	<u>\$ 117,197</u>	<u>\$ 5,974</u>	<u>\$ 18,348,516</u>	<u>\$ -39,863</u>	<u>\$ 604,147</u>

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

\$ 18,512,114	Current year taxes levied from page 82
117,197	Tax interest collections during the current fiscal year from above
5,974	Tax lien fee collections during the current fiscal year from above
17,355	Suspense principle balance collections during the current fiscal year
16,925	Suspense interest and lien collections during the current fiscal year
185	Suspense lien fee collections during the current fiscal year
-39,863	Account balance adjustments as items transferred to suspense and written off
-23,317	The net lawful corrections made during the current fiscal year from page 82
-172,876	The unearned tax revenue adjustment made as described in item number 2 on page 17
<u>\$ 18,433,694</u>	Property taxes revenues per Statement D, Statement E, and Sub-Schedule E

- B - Operation of Law - No tax can be collected 15 years after the original due date. The \$105 adjustment shown above for the 2001 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 \$17,355 was collected on principle suspense tax balances owed, \$16,925 of interest and \$185 of lien fees were collected on principle suspense tax balances owed. No certificates of correction were completed for taxes which had already been transferred to suspense during the current fiscal year.

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, 2018, 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 31, 2018.

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 2018-01 through 2018-03.

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

Stephen T. Hopkins, CPA, PC

Scarborough, Maine
December 31, 2018

Town of Lebanon, Connecticut
Schedule of findings and questioned costs (continued)
June 30, 2018

2018-01 - 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 miscellaneous accounts receivable asset account and the deferred revenue property taxes liability account needed material adjustments in order to match the ending balances to adequate supporting documentation.

An attempt was made by the Town to document the status of all non-cash asset and liability account reconciliations shown on the trial balance as of March 31, 2018 and June 30, 2018. However, the trial balance status listing made a number of references to accounts that needed to be researched and no backup documentation was included for the non-cash asset and liability accounts that were labeled as being reconciled to match the reported balance to independent 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. I was unable to determine the specific reason that the 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. We also recommend that the Town continue to use the reconciliation status sheet referenced above though adequate independent supporting documentation should be attached.

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 above recommendations relating to the use of the current reconciliation status sheet but to also determine the adequate form of independent supporting documentation to be attached.

Town of Lebanon, Connecticut
Schedule of findings and questioned costs (continued)
June 30, 2018

2018-02 - Cash disbursements

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:

During the current fiscal year audit, a number of expenditures relating to the school student activity accounts were selected for testing within the current fiscal year and as subsequent events during the beginning of the next fiscal year. The invoices relating to these expenditures were requested to be pulled for the review of a number of items such as the correct accounting period, the correct amount being paid, items being paid from actual invoices, and whether or not individual invoices are initialed as being reviewed and approved. There did not appear to be an adequate system of internal controls in place at one of the locations tested to ensure that only invoices containing the initials or signature of the individual approving the expenditure were being processed. In addition, it was determined at another location tested that invoices at times included a stamped signature approving the expenditures. Though this practice in and of itself would not necessarily constitute an internal control deficiency, the signature stamp in question at this location was stored in the desk of the individual processing the invoices for payment. At this second location it was also determined that the individual approving an invoice was the individual who was being paid or reimbursed through the invoice. We do consider these conditions to represent a significant deficiency in internal control over financial reporting.

Context:

Twelve of the fourteen invoices that were reviewed at the first location did not contain any initials or signature of an approving individual. Four of the six invoices that were reviewed at the second location were approved using the above mentioned signature stamp and the only reimbursement invoice tested at this location was approved by the individual being reimbursed. Sampling techniques are used to select items for testing which means that not all transactions are reviewed or tested during this process. As a result, there could be other invoices being processed for payment without the initials or signature of the individual approving the payment. There could also be other invoices approved using the aforementioned signature stamp as well as additional invoices to individuals for reimbursements having been approved by those individuals.

Effect:

Without the initials or signature of the individual approving the payment of invoices as well as a signature stamp outside of the control of the individual whose signature is represented, there can be no assurance that the goods or services being purchased were actually received and creates doubt as to whether the assets of the Town are being adequately safeguarded.

Cause:

I was unable to determine the specific reason that these conditions were present during the current fiscal year.

Recommendation:

We recommend that invoices should never be paid or even entered into the accounting software at all locations of the Town without an appropriate set of initials or a signature on the invoice approving the expenditure. In addition, we recommend that any signature stamps being used by individuals be in the possession of those individuals and that individuals being reimbursed are not the same individuals responsible for reviewing and approving the reimbursements.

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 invoice approval process. Invoices being paid at all locations within the Town will be required to have appropriate approving signatures on each invoice and reimbursements to individuals will no longer be approved by those individuals for payment.

Town of Lebanon, Connecticut
Schedule of findings and questioned costs (continued)
June 30, 2018

2018-03 - Compliance with the provisions of permanent trust fund principal balances

Criteria:

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

Condition:

The Town currently has sixteen individual permanent fund trusts that it has been given over the years and which are accounted for and reported within the financial statements as shown on Schedule C starting on page 71. Six of these permanent trusts relate to amounts for which the earnings are used to benefit the Board of Education and more specifically the students in the form of scholarships. Amounts from these six permanent fund trusts are transferred annually to the high school student activity account where the actual scholarships are accounted for and disbursed. The principal balance within two of these six permanent fund trusts have been overspent in the aggregate amount of \$942 which would seem to show that the Town is not currently in compliance with the need to preserve the principal of these permanent fund trusts. In addition, a third permanent fund trust would appear as though it will be overspent during the upcoming fiscal year. We do consider these conditions to represent a significant deficiency in internal control over compliance and in turn financial reporting

Context and effect:

The amount of this aggregate over expenditure of the principal portion of these two permanent fund trusts of \$942 would appear to be immaterial in amount when considering that the total principal portion of these six permanent fund trusts is \$262,085. This would however bring into question the effectiveness and adequacy of the internal controls in place to ensure the preservation of these principal balances. The Town does have other permanent fund trust agreements in which the principal portion has not been over expended. The difference between these two groups of permanent funds is that the over expended trusts relate to scholarship permanent funds while the other non over-expended trusts relate to library and cemetery permanent funds.

Cause:

The Town revised its investments policy for endowments and donations on July 12, 2016. In regard to principal balances the revised policy states, " The investment principal shall not be utilized for any endowment/donation except where the purpose is to fund an ongoing scholarship award. Endowments or donations funding a scholarship award may utilize principal to fund the award in order to achieve a minimum annual award of \$500.00" and "When the value of an individual endowment/donation used to fund an annual scholarship award falls below the minimum scholarship award (\$500.00) the endowment/donation shall be entirely liquidated and the funds provided to the Lyman HS scholarship committee". We were unable to determine that any approval had been received from the individuals who had originally provided the nonspendable principal portion of each trust fund to the Town that the nonspendable portion could now be expended. We were also unable to determine that any legal guidance had been obtained relating to the changing of the parameters and use of received and accepted nonspendable trust donations by the Town.

Recommendation:

We recommend that the Town contact each original permanent fund donee relating to these above school scholarship funds and obtain some type of waiver or acceptance of the use of the previously donated and accepted nonspendable portions of each fund within the parameters of the Town's revised investment policy. We also recommend that written legal guidance be obtained relating to any original permanent fund donee that may not be reachable to provide a legal opinion or precedence for the Town changing the agreed upon use of these accepted nonspendable funds.

Views of responsible officials and planned corrective actions:

We have discussed this finding with our auditor and we believe that the Town does have the authority to change the agreed upon use of these nonspendable funds based on the subsequently revised investment policy.

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, 2018. The Town of Lebanon, Connecticut's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

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, 2018.

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 purpose.

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

We have audited the financial statements of the governmental activities, the business-type activities, 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, 2018, 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 31, 2018, 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

Stephen T. Hopkins, CPA, PC

Scarborough, Maine
December 31, 2018

Town of Lebanon, Connecticut
Schedule of expenditures of state financial assistance
For the year ended June 30, 2018

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	\$ 3,140
Disabled program	11000-OPM20600-17011	673
Property tax relief for veterans	11000-OPM20600-17024	4,840
Local capital improvement	12050-OPM20600-40254	130,487
Municipal purposes and projects	12052-OPM20600-43587	30,427
<u>Department of Education:</u>		
Child nutrition program state match	11000-SDE64370-16211	3,624
Healthy food initiative	11000-SDE64370-16212	6,893
Vocational Agriculture	11000-SDE64370-17017	245,722
Adult education	11000-SDE64370-17030	7,879
School breakfast program	11000-SDE64370-17046	8,682
<u>Office of Early Childhood:</u>		
Early care and education	11000-OEC64845-16274	112,493
School readiness quality enhancement	11000-OEC64845-16158	3,881
<u>Connecticut State Library:</u>		
Connecticard payments	11000-CSL66051-17010	1,778
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 - Municipal	12052-DOT57131-43455	134,900
Town aid road grants - STO	13033-DOT57131-43459	159,311
<u>Department of Agriculture:</u>		
Agricultural viability	12060-DAG42710-90456	22,500
FAD - Temporary holding account	34003-DAG42640-42350	35
<u>Other Departments and miscellaneous awards:</u>		
Non-budgeted operating appropriations	34001-JUD95162-40001	1,875
Other expenses	11000-DRS16410-10020	20
Other expenses	11000-DSS60439-10020	20
Total State Financial Assistance before exempt programs		<u>\$ 915,777</u>

Town of Lebanon, Connecticut
Schedule of expenditures of state financial assistance (continued)
For the year ended June 30, 2018

State grantor/pass through Grantor/program title	State grant program Core-CT number	Expenditures
Exempt Programs		
<u>Department of Education:</u>		
Education equalization grants program 82010	11000-SDE64370-17041	\$ 4,707,282
Special education excess costs	11000-SDE64370-17047	374,789
<u>Department of Administrative Services:</u>		
School construction interest	13009-DAS27636-40896	4,420
School construction principle	13010-DAS27636-40901	136,516
<u>Office of Policy and Management:</u>		
Mashantucket Pequot Grant	12009-OPM20600-17005	32,377
Municipal stabilization grant	11000-OPM20600-17104	49,368
Total exempt programs		5,304,752
Total expenditures of State Financial Assistance		\$ 6,220,529

Town of Lebanon, Connecticut
Notes to Schedule of expenditures of state financial assistance
For the year ended June 30, 2018

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, 2018. 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, 2018

I. Summary of Audit Results

Financial Statements:

Type of auditor's report issued:	Unmodified		
Internal control over financial reporting:			
• Material weakness (es) identified?	yes	X	no
• Significant deficiency (ies) identified?	X	yes	none reported
• Noncompliance material to the financial statements noted?	yes	X	no

State Financial Assistance:

Type of auditors' report issued on compliance for major programs	Unmodified		
Internal control over major programs:			
• Material weakness (es) identified?	yes	X	no
• Significant deficiency (ies) identified?	yes	X	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?	yes	X	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 \$915,777, a Type A program shall be considered a non-exempt state program for which the amount of state financial assistance expended under the program for the audit period equals or exceeds \$100,000. The Town of Lebanon has five Type A programs for the current fiscal year based on the \$100,000 dollar threshold and therefore all of its remaining programs would be considered Type B programs. The Town has two 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 five Type A programs were determined to be high-risk and therefore were audited as major programs. The two Type B programs of the Town for which a risk assessment was required were determined not to be high-risk and thus were not audited as major programs. The total non-exempt state financial assistance expended by the Town for the current audit period was \$915,777. The programs tested as major and shown below represent approximately 85% 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	\$ 130,487
Vocational Agriculture	11000-SDE64370-17017	245,722
Early care and education	11000-OEC64845-16274	112,493
Town aid road grants - Municipal	12052-DOT57131-43455	134,900
Town aid road grants - STO	13033-DOT57131-43459	159,311
		<u>\$ 782,913</u>

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

Town of Lebanon, Connecticut
Schedule of findings and questioned costs (continued)
For the year ended June 30, 2018

II. Financial Statement Findings

- We issued our report, dated December 31, 2018, 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 labeled as item numbers 2018-01 through 2018-03 starting on page 86. We do not consider any of these significant deficiencies to be material weaknesses.
- 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

- Financial Statement Findings:

Finding No. 2017-01

Condition - 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.

Current Status - Though an attempt was made to address this finding, it was not corrected and is included as current fiscal year finding 2018-01.

Planned Corrective Action - See response included in the current fiscal year submitted Corrective Action Plan.

Finding No. 2017-02

Condition - Bank reconciliations were not being completed for the school lunch program.

Current Status - This finding has been corrected.

Finding No. 2017-03

Condition - The bank reconciliations being prepared for the school general checking account and the school grants checking account were not being reviewed once completed by someone outside of the accounting function.

Current Status - This finding has been corrected.

- State Program Findings:

There were no findings and questioned costs related to state financial assistance award programs reported in the audit report for the Town of Lebanon, Connecticut for the fiscal year ended June 30, 2017.