

Town of Lebanon, Connecticut

State Compliance Audit

June 30, 2019

Stephen T. Hopkins, CPA, PC

Auditing , Accounting , and Consulting Services

Town of Lebanon, Connecticut

June 30, 2019

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Town of Lebanon, Connecticut

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Stephen T. Hopkins, CPA, PC

Auditing , Accounting , and Consulting Services

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Independent Auditors' Report

Board of Finance
Board of Selectmen
Town of Lebanon, Connecticut

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, 2019, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 and the pension and OPEB schedules on pages 57 through 61 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Lebanon, Connecticut's basic financial statements. The accompanying combining and individual fund financial statements, the schedule of property taxes levied, collections and outstanding balances, the schedule of debt limitation, and the schedule of expenditures of state financial assistance as required by the State Single Audit Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying combining and individual fund financial statements, the schedule of property taxes levied, collections and outstanding balances, the schedule of debt limitation, and the schedule of expenditures of state financial assistance 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 January 10, 2020, 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
January 10, 2020

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2019

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, 2019. 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 \$42,737,396 (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 \$42,022,705. This represents a favorable increase of \$714,691 or approximately 1.70%.
- 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 \$32,884,663 as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$32,816,689. This represents an increase of approximately .21% which is the result of a decrease in the related long-term debt of \$514,734, a new capital lease in the amount of (\$495,000), current depreciation in the amount of (\$1,910,669) and current net capital asset additions in the amount of \$1,958,909.
- 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 \$4,915,345 as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$4,755,597. This represents an increase of approximately 3.36%. This increase is due in large part to an increase in the restricted investment funds in the amount of \$205,474, an increase in the restricted donations funds in the amount of \$37,777 and a decrease in recorded encumbrances in the amount of (\$47,688).
- 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 \$4,937,388 as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$4,450,419. This represents a favorable increase of approximately 10.94%. 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 \$29,658,066 for the current fiscal year. This compares to the prior fiscal year balance of \$30,513,193. This represents a decrease of (\$855,127) or approximately 2.80%. This is due to a number of increases in revenue categories such as property tax revenues which increased by \$519,613, the change in investment fair value which increased by \$280,314, operating and capital grants and contributions which decreased by (\$1,503,204) and charges for services which decreased by (\$99,253). The decrease in operating and capital grants and contributions was due in large part to a decrease in the actuarial determined State on-behalf revenue in the amount of (\$1,741,869).
- The cost of the Town's governmental activities was \$28,943,375 for the current fiscal year. The amount of these costs ultimately financed by general revenues of the Town, however, was only \$19,332,397 due to a portion of these costs being paid for by individuals receiving certain benefits through charges for services in the amount of \$1,372,338 and through operating and capital grants received from the State (state and federal dollars) in the amount of \$8,238,640. This amounts to approximately 66.79% of the cost of these governmental activities actually being financed by the general revenues of the Town. This compares to approximately 63.14% 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 \$1,304,348 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 \$1,075,225 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, 2019

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 \$269,656 leaving a current and long-term receivable amount due of \$2,757,140. Current fiscal year borrowed interest collections totaled approximately \$72,014 including currently billed amounts and previously billed amounts leaving an outstanding receivable of \$31,182. Current fiscal year user fee collections totaled approximately \$119,311 including currently billed amounts and previously billed amounts leaving an outstanding receivable of \$23,884.

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, 2019

- **Governmental activities** - All of the Town's basic services are reported here, including general government, public safety, public works, health & 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, 2019

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

The information provided below represents government-wide information for the governmental and business-type activities of the Town for the current fiscal year compared to the prior fiscal year. The current ratio compares the current assets of the Town as a whole to its current liabilities as a whole and gives an indication of the Town's ability to pay current obligations. As of the end of the current fiscal year the total current ratio of the Town was 3.38 to 1 compared to the end of the prior fiscal year when the total current ratio was 4.05 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 \$9,717,598. This compares to the prior fiscal year positive balance of \$9,561,248.

	Governmental activities		Business-type activities		Totals	
	2019	2018	2019	2018	2019	2018
Current assets	\$ 12,836,792	\$ 11,737,021	\$ 971,879	\$ 960,481	\$ 13,808,671	\$ 12,697,502
Other assets	4,043,308	3,917,288	3,544,902	3,743,914	7,588,210	7,661,202
Capital assets	34,114,745	34,066,505	5,983,288	6,070,002	40,098,033	40,136,507
	<u>50,994,845</u>	<u>49,720,814</u>	<u>10,500,069</u>	<u>10,774,397</u>	<u>61,494,914</u>	<u>60,495,211</u>
Deferred outflows of resources	<u>1,461,239</u>	<u>288,666</u>	<u>-</u>	<u>-</u>	<u>1,461,239</u>	<u>288,666</u>
Current liabilities	3,416,807	2,509,806	91,048	27,090	3,507,855	2,536,896
Non-current liabilities						
Due within one year	480,922	501,816	102,296	97,542	583,218	599,358
Due after one year	5,559,218	4,870,926	3,941,220	4,136,150	9,500,438	9,007,076
	<u>9,456,947</u>	<u>7,882,548</u>	<u>4,134,564</u>	<u>4,260,782</u>	<u>13,591,511</u>	<u>12,143,330</u>
Deferred inflows of resources	<u>261,741</u>	<u>104,227</u>	<u>-</u>	<u>-</u>	<u>261,741</u>	<u>104,227</u>
Net position:						
Net Investment capital assets	32,884,663	32,816,689	1,939,772	1,836,310	34,824,435	34,652,999
Restricted	4,915,345	4,755,597	-	-	4,915,345	4,755,597
Unrestricted	4,937,388	4,450,419	4,425,733	4,677,305	9,363,121	9,127,724
	<u>\$ 42,737,396</u>	<u>\$ 42,022,705</u>	<u>\$ 6,365,505</u>	<u>\$ 6,513,615</u>	<u>\$ 49,102,901</u>	<u>\$ 48,536,320</u>
Restricted net position:						
Expendable:						
Restricted investment funds	\$ 3,035,760	\$ 2,830,286	\$ -	\$ -	\$ 3,035,760	\$ 2,830,286
Restricted donation funds	337,968	300,191	-	-	337,968	300,191
Enabling legislation funds	70,994	81,720	-	-	70,994	81,720
Community projects	1,061,053	1,077,256	-	-	1,061,053	1,077,256
Encumbrances	-	47,688	-	-	-	47,688
Permanent funds residual	61,740	37,106	-	-	61,740	37,106
	<u>4,567,515</u>	<u>4,374,247</u>	<u>-</u>	<u>-</u>	<u>4,567,515</u>	<u>4,374,247</u>
Non-expendable:						
Prepays and inventory	28,558	62,078	-	-	28,558	62,078
Permanent funds principal	319,272	319,272	-	-	319,272	319,272
	<u>347,830</u>	<u>381,350</u>	<u>-</u>	<u>-</u>	<u>347,830</u>	<u>381,350</u>
	<u>\$ 4,915,345</u>	<u>\$ 4,755,597</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,915,345</u>	<u>\$ 4,755,597</u>

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2019

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	
	2019	2018	2019	2018	2019	2018
Program revenues						
Charges for services	\$ 1,372,338	\$ 1,471,591	\$ 192,840	\$ 238,796	\$ 1,565,178	\$ 1,710,387
Operating grants	8,155,097	9,611,357	-	-	8,155,097	9,611,357
Capital grants	83,543	130,487	-	-	83,543	130,487
General revenues						
Property tax revenues	19,158,123	18,638,510	-	-	19,158,123	18,638,510
State tax relief revenues	19,505	8,653	-	-	19,505	8,653
Other state revenues	206,511	112,247	-	-	206,511	112,247
Investment fair value change	231,196	-49,118	-	-	231,196	-49,118
Interest and dividends	165,532	136,732	2,380	1,679	167,912	138,411
Miscellaneous	266,221	452,734	12,127	9,602	278,348	462,336
Transfers	-	-	-	-	-	-
Total revenues	<u>29,658,066</u>	<u>30,513,193</u>	<u>207,347</u>	<u>250,077</u>	<u>29,865,413</u>	<u>30,763,270</u>
Expenses						
General government	1,349,226	1,219,600	-	-	1,349,226	1,219,600
Public safety	842,042	729,563	-	-	842,042	729,563
Public works	1,900,095	1,540,941	-	-	1,900,095	1,540,941
Education	21,382,448	21,397,265	-	-	21,382,448	21,397,265
Education - on behalf	1,204,072	2,945,941	-	-	1,204,072	2,945,941
Health & social	916,379	938,362	-	-	916,379	938,362
Community preservation	277,363	242,782	-	-	277,363	242,782
Unclassified and program	494,307	835,638	-	-	494,307	835,638
Capital outlay	-	-	-	-	-	-
Depreciation						
General infrastructure	524,013	512,648	-	-	524,013	512,648
Debt service						
Interest	53,430	55,589	164,998	110,660	218,428	166,249
Sewer	-	-	190,459	170,260	190,459	170,260
Total expenses	<u>28,943,375</u>	<u>30,418,329</u>	<u>355,457</u>	<u>280,920</u>	<u>29,298,832</u>	<u>30,699,249</u>
Change in net position	714,691	94,864	-148,110	-30,843	566,581	64,021
Net position - July 1 - restated	<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>
Net position - June 30	<u>\$42,737,396</u>	<u>\$42,022,705</u>	<u>\$ 6,365,505</u>	<u>\$ 6,513,615</u>	<u>\$49,102,901</u>	<u>\$48,536,320</u>
Financed by general revenues:						
Total expenses	\$28,943,375	\$30,418,329	\$ 355,457	\$ 280,920	\$29,298,832	\$30,699,249
Less charges for services	-1,372,338	-1,471,591	-192,840	-238,796	-1,565,178	-1,710,387
Less operating grants	-8,155,097	-9,611,357	-	-	-8,155,097	-9,611,357
Less capital grants	-83,543	-130,487	-	-	-83,543	-130,487
	<u>\$19,332,397</u>	<u>\$19,204,894</u>	<u>\$ 162,617</u>	<u>\$ 42,124</u>	<u>\$19,495,014</u>	<u>\$19,247,018</u>

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2019

Capital assets

The capital assets of the Town include land, land improvements, buildings, building improvements, vehicles, equipment, and infrastructure assets that are used in the operations of the Town and that have an initial useful life extending beyond a single fiscal year. Infrastructure assets are long-lived capital assets that are normally stationary in nature and can normally be preserved for a significantly greater number of years than most capital assets. The types of infrastructure assets recorded by the Town include but are not limited to improved town roads, unimproved town roads, and bridges and the Amston Lake sewage system. The infrastructure assets shown below include the current and prior fiscal year expenses of the Town for improvements to roads within the Town recorded at their actual historical cost or estimated historical cost when the actual costs were not available. More detailed information on the capital assets of the Town can be found in note 1J on page 30 and note 5 on page 40.

	Governmental activities		Business-type activities		Totals	
	2019	2018	2019	2018	2019	2018
Land and improvements	\$ 2,228,189	\$ 2,228,189	\$ -	\$ -	\$ 2,228,189	\$ 2,228,189
Buildings and improvements	37,486,016	37,386,189	-	-	37,486,016	37,386,189
Vehicles	5,660,821	4,958,348	-	-	5,660,821	4,958,348
Equipment	1,792,872	1,618,454	-	-	1,792,872	1,618,454
Infrastructure	31,184,166	30,263,740	-	-	31,184,166	30,263,740
Sewage system	-	-	6,503,574	6,503,574	6,503,574	6,503,574
Construction in progress	120,609	108,844	-	-	120,609	108,844
Total historical value	<u>78,472,673</u>	<u>76,563,764</u>	<u>6,503,574</u>	<u>6,503,574</u>	<u>84,976,247</u>	<u>83,067,338</u>
Less accumulated depreciation	<u>-44,357,928</u>	<u>-42,497,259</u>	<u>-520,286</u>	<u>-433,572</u>	<u>-44,878,214</u>	<u>-42,930,831</u>
Total capital assets (net)	<u><u>\$34,114,745</u></u>	<u><u>\$34,066,505</u></u>	<u><u>\$ 5,983,288</u></u>	<u><u>\$ 6,070,002</u></u>	<u><u>\$40,098,033</u></u>	<u><u>\$40,136,507</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 F on page 80. More detailed information on the Town debt can be found in note 6 on pages 41 and 42.

	Governmental activities		Business-type activities		Totals	
	2019	2018	2019	2018	2019	2018
Outstanding payables:						
Portion due within one year	\$ 475,291	\$ 489,816	\$ 102,296	\$ 97,542	\$ 577,587	\$ 587,358
Portion due after one year	754,791	760,000	3,941,220	4,136,150	4,696,011	4,896,150
Other liabilities:						
Accrued compensated absences						
School employees	52,592	44,981	-	-	52,592	44,981
Town employees	38,376	48,040	-	-	38,376	48,040
Accrued landfill post-closure	5,631	18,631	-	-	5,631	18,631
Net pension liability	2,096,705	848,408	-	-	2,096,705	848,408
Total OPEB liability	<u>2,616,754</u>	<u>3,162,866</u>	<u>-</u>	<u>-</u>	<u>2,616,754</u>	<u>3,162,866</u>
Total debt	<u><u>\$ 6,040,140</u></u>	<u><u>\$ 5,372,742</u></u>	<u><u>\$ 4,043,516</u></u>	<u><u>\$ 4,233,692</u></u>	<u><u>\$10,083,656</u></u>	<u><u>\$ 9,606,434</u></u>

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2019

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 \$12,770,444 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 \$12,554,297, a favorable increase of \$216,147 or approximately 1.72%. This favorable increase is due to the positive results of the general fund of \$381,073, the positive results of the Trumbull investment funds of \$205,474, the negative results of the town capital funds of (\$304,059), the negative results of the small cities program funds of (\$16,203) and the negative results of the non-major governmental funds of (\$50,138). 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 \$29,570,419 for the current fiscal year in comparison to \$30,430,904 in the prior fiscal year. This represents a decrease of (\$860,485) or approximately 2.83%. This is due in large part to the current year change in property tax revenues which was an increase in the amount of \$664,780. This increase was due to both a higher annual commitment and a higher than anticipated collection rate. In addition, intergovernmental education revenue increased by \$233,010, State on-behalf education revenue decreased by (\$1,741,869), intergovernmental tax relief and other revenues increased by \$27,597, education tuition decreased by (\$16,453), charges for services decreased by (\$82,800), interest, dividends and the change in investment fair values increased by \$308,945 and miscellaneous revenues decreased by (\$253,695).
- The total expenditures of the Town's governmental funds were \$29,849,272 for the current fiscal year in comparison to \$30,645,228 in the prior fiscal year. This represents a decrease of (\$795,956) or approximately 2.60%. This decrease is made up a number of increases and decrease within the funds of the Town. The town capital funds increased its expenditures by \$412,336 due in part to the purchase of a new fire truck. The small cities program funds decreased its expenditures by (\$175,092) due in part to the fact that no grant revenue was received during the current fiscal year. In addition, the actuarial determined State on-behalf expenditures decreased by (\$1,741,869). There were a number of other expenditure account increases and decreases from the prior fiscal year to the current fiscal year which affected the overall increase.
- The net change in fund balance (excess or deficiency of revenues over-under expenditures) for the Town's general fund was a positive \$381,073 for the current fiscal year in comparison to a negative (\$215,773) for the prior fiscal year. This represents a favorable increase relating in part to the following selected current and prior fiscal year budgetary highlights.
- The actual revenues received in the Town's general fund were \$545,706 higher than the budgeted revenues for the current fiscal year which is a favorable variance in comparison to (\$44,031) lower during the prior fiscal year which was an unfavorable variance. The current fiscal year actual intergovernmental education revenue was \$440,878 higher than budgeted in comparison to (\$45,944) lower during the prior fiscal year. The current fiscal year intergovernmental other revenue was \$114,994 higher than budgeted in comparison to (\$4,751) lower during the prior fiscal year. The current fiscal year education tuition revenue was (\$30,762) lower than budgeted in comparison to (\$132,287) lower during the prior fiscal year.
- The actual program expenditures in the Town's general fund were \$278,148 lower than the adjusted budgeted expenditures for the current fiscal year which is a favorable variance in comparison to \$348,687 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 medical life and dental insurance account which was \$48,946 under the original budget, the contingency account which was \$19,858 under the adjusted budget, the town hall account which was \$17,473 under the original budget and the finance office account which was \$15,717 under the original budget amount.
- In the current fiscal year, the inhabitants of the Town approved the use of \$395,537 of its unassigned general fund balance through special town meetings relating to the purchase of a fire truck in the amount of \$250,000, repairs to the Oliver road bridge in the amount of \$60,000 and \$35,000 relating to the town green quieting project. An amount up to \$1,000,000 was approved relating to storm damage repairs though only \$50,537 was utilized during the current fiscal year. 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 \$519,000 of its unassigned general fund balance for similar capital non-recurring fund expenditures.

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2019

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, 2019

	Primary government			Component unit
	Governmental activities	Business-type activities	Total	Volunteer fire department
Assets:				
Current assets:				
Cash	\$ 2,753,738	\$ 100	\$ 2,753,838	\$ 138,719
Investments	9,096,220	677,476	9,773,696	638,504
Accounts receivable	944,915	294,303	1,239,218	4,122
Tax acquired property	13,361	-	13,361	-
Inventory & prepaid items	28,558	-	28,558	4,577
Total current assets	12,836,792	971,879	13,808,671	785,922
Capital assets				
Non-depreciable	2,348,798	-	2,348,798	-
Depreciable (net)	31,765,947	5,983,288	37,749,235	196,423
Total capital assets	34,114,745	5,983,288	40,098,033	196,423
Other assets				
Restricted cash	520,287	-	520,287	-
Restricted investments	3,403,836	-	3,403,836	-
Long-term accounts receivable	131,597	2,518,868	2,650,465	-
Notes receivable	1,013,622	-	1,013,622	-
Internal balances	-1,026,034	1,026,034	-	-
Total other assets	4,043,308	3,544,902	7,588,210	-
Total Assets	50,994,845	10,500,069	61,494,914	982,345
Deferred outflows of resources				
Changes related to Pensions and OPEB	1,461,239	-	1,461,239	-
Liabilities:				
Accounts payable	526,122	12,472	538,594	18,494
Accrued hourly payroll	58,876	-	58,876	-
Other liabilities	155,928	51,790	207,718	-
Due to other funds	1,674	-	1,674	-
Unearned revenues	74,207	26,786	100,993	-
Bond anticipation note payable	2,600,000	-	2,600,000	-
Noncurrent liabilities:				
Portion due within one year	480,922	102,296	583,218	-
Portion due after one year	5,559,218	3,941,220	9,500,438	-
Total liabilities	9,456,947	4,134,564	13,591,511	18,494
Deferred inflows of resources				
Changes related to pensions and OPEB	261,741	-	261,741	-
Net Position:				
Net Investment in capital assets	32,884,663	1,939,772	34,824,435	196,423
Restricted				
Expendable	4,567,515	-	4,567,515	-
Non-expendable	347,830	-	347,830	4,577
Unrestricted	4,937,388	4,425,733	9,363,121	762,851
Total net position	\$ 42,737,396	\$ 6,365,505	\$ 49,102,901	\$ 963,851

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Statement of activities
For the year ended June 30, 2019

	Expenses	Program Revenues		
		Charges for services	Operating grants and contributions	Capital grants and contributions
Primary government:				
Governmental activities:				
General government	\$ -1,349,226	\$ 126,186	\$ -	\$ -
Public safety	-842,042	144,095	1,690	-
Public works	-1,900,095	118,424	431,486	-
Education	-21,382,448	913,623	6,433,902	-
Education - on behalf	-1,204,072	-	1,204,072	-
Health & social	-916,379	54,229	33,669	-
Community preservation	-277,363	15,781	50,278	-
Unclassified and program	-494,307	-	-	-
Capital outlay	-	-	-	83,543
Depreciation				
General infrastructure	-524,013	-	-	-
Debt service				
Interest	-53,430	-	-	-
Total governmental activities	<u>-28,943,375</u>	<u>1,372,338</u>	<u>8,155,097</u>	<u>83,543</u>
Business-type activities:				
WPCA operating fund	-103,745	118,000	-	-
WPCA benefit assessments fund	-251,712	74,840	-	-
Total business-type activities	<u>-355,457</u>	<u>192,840</u>	<u>-</u>	<u>-</u>
Total primary government	<u><u>\$ -29,298,832</u></u>	<u><u>\$ 1,565,178</u></u>	<u><u>\$ 8,155,097</u></u>	<u><u>\$ 83,543</u></u>
Component unit:				
Volunteer fire department	<u><u>\$ -321,787</u></u>	<u><u>\$ 167,315</u></u>	<u><u>\$ 176,872</u></u>	<u><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, 2019

	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	\$ -1,223,040	\$ -	\$ -1,223,040	\$ -
Public safety	-696,257	-	-696,257	-
Public works	-1,350,185	-	-1,350,185	-
Education	-14,034,923	-	-14,034,923	-
Education - on behalf	-	-	-	-
Health & social	-828,481	-	-828,481	-
Community preservation	-211,304	-	-211,304	-
Unclassified and program	-494,307	-	-494,307	-
Capital outlay	83,543	-	83,543	-
Depreciation				
General infrastructure	-524,013	-	-524,013	-
Debt service				
Interest	-53,430	-	-53,430	-
Total governmental activities	-19,332,397	-	-19,332,397	-
Business-type activities:				
WPCA operating fund	-	14,255	14,255	-
WPCA benefit assessments fund	-	-176,872	-176,872	-
Total business-type activities	-	-162,617	-162,617	-
Total primary government	-19,332,397	-162,617	-19,495,014	-
Component unit:				
Volunteer fire department	-	-	-	22,400
General revenues:				
Property tax revenues	19,158,123	-	19,158,123	-
State property tax relief revenues	19,505	-	19,505	-
Other unclassified state revenues	206,511	-	206,511	-
Net change in fair value of investments	231,196	-	231,196	-2,063
Interest and dividends	165,532	2,380	167,912	32,051
Miscellaneous	266,221	12,127	278,348	30,933
Transfers	-	-	-	-
Total general revenues	20,047,088	14,507	20,061,595	60,921
Change in net position	714,691	-148,110	566,581	83,321
Net position - July 1	<u>42,022,705</u>	<u>6,513,615</u>	<u>48,536,320</u>	<u>880,530</u>
Net position - June 30	<u>\$ 42,737,396</u>	<u>\$ 6,365,505</u>	<u>\$ 49,102,901</u>	<u>\$ 963,851</u>

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Balance sheet - Governmental funds
June 30, 2019

	General fund	Trumbull investment funds	Town capital funds	Small cities program funds	Non-major governmental funds	Totals
Assets						
Cash	\$ 2,551,400	\$ -	\$ -	\$ 47,431	\$ 552,989	\$ 3,151,820
Investments	6,466,435	3,035,760	2,614,424	-	383,437	12,500,056
Receivables (net of allowance)						
Property taxes	638,224	-	-	-	-	638,224
Intergovernmental	2,785	-	77,422	-	83,727	163,934
Other	138,388	-	1,100	-	1,950	141,438
Notes receivable	-	-	-	1,013,622	-	1,013,622
Tax acquired property	13,361	-	-	-	-	13,361
Inventory	-	-	-	-	11,204	11,204
Prepaid items	14,504	-	1,350	-	1,500	17,354
Due from proprietary funds	36,450	-	-	-	-	36,450
Due from private purpose trusts	23	-	-	-	-	23
Due from other funds	694,572	-	1,299,303	-	929,015	2,922,890
Total assets	<u>\$ 10,556,142</u>	<u>\$ 3,035,760</u>	<u>\$ 3,993,599</u>	<u>\$ 1,061,053</u>	<u>\$ 1,963,822</u>	<u>\$ 20,610,376</u>
Liabilities						
Accounts payable	\$ 356,988	\$ -	\$ 74,453	\$ -	\$ 92,329	\$ 523,770
Accrued hourly payroll	49,427	-	-	-	9,449	58,876
Other liabilities	142,995	-	-	-	900	143,895
Unearned revenues	19,610	-	-	-	-	19,610
Bond anticipation note	-	-	2,600,000	-	-	2,600,000
Due to proprietary funds	1,026,034	-	-	-	-	1,026,034
Due to private purpose trusts	1,697	-	-	-	-	1,697
Due to other funds	2,227,197	-	359,315	-	336,378	2,922,890
Total liabilities	<u>3,823,948</u>	<u>-</u>	<u>3,033,768</u>	<u>-</u>	<u>439,056</u>	<u>7,296,772</u>
Deferred inflows of resources						
Unavailable revenue -						
Property taxes	543,160	-	-	-	-	543,160
Fund balances						
Nonspendable	14,504	-	1,350	-	331,976	347,830
Restricted	-	3,035,760	-	1,061,053	525,095	4,621,908
Committed	949,463	-	1,358,057	-	484,660	2,792,180
Assigned	-	-	-	-	184,853	184,853
Unassigned	5,225,067	-	-399,576	-	-1,818	4,823,673
Total fund balances	<u>6,189,034</u>	<u>3,035,760</u>	<u>959,831</u>	<u>1,061,053</u>	<u>1,524,766</u>	<u>12,770,444</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,556,142</u>	<u>\$ 3,035,760</u>	<u>\$ 3,993,599</u>	<u>\$ 1,061,053</u>	<u>\$ 1,963,822</u>	<u>\$ 20,610,376</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, 2019

Fund balances of governmental funds as shown on Statement C		\$ 12,770,444
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	78,472,673	
Less accumulated depreciation	<u>-44,357,928</u>	34,114,745
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:		543,160
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:		-54,597
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	1,392,420	
Deferred outflows of resources related to OPEB	68,819	
Deferred inflows of resources related to pensions	-3,292	
Deferred inflows of resources related to OPEB	<u>-258,449</u>	1,199,498
5 Long-term liabilities and related current 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:		
Accrued debt service interest	-12,033	
Bonds, notes and capital leases payable	-1,230,082	
Accrued compensated balances	-90,968	
Accrued landfill post-closure costs	-5,631	
Net pension liability	-2,096,705	
Total OPEB liability	<u>-2,616,754</u>	-6,052,173
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:		131,597
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>84,722</u>
Net position of governmental activities as shown on Statement A		<u><u>\$ 42,737,396</u></u>

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Statement of revenues, expenditures, and changes in fund balances - Governmental funds
For the year ended June 30, 2019

	General fund	Trumbull investment funds	Town capital funds	Small cities program funds	Non-major governmental funds	Totals
Revenues						
Property tax revenues	\$ 19,098,474	\$ -	\$ -	\$ -	\$ -	\$ 19,098,474
Intergovernmental - education	5,097,927	-	-	-	1,304,248	6,402,175
Intergovernmental - on behalf	1,204,072	-	-	-	-	1,204,072
Intergovernmental - tax relief	19,505	-	-	-	-	19,505
Intergovernmental - other	488,315	-	160,965	-	122,145	771,425
Tuition	726,053	-	-	-	-	726,053
Charges for services	396,267	-	-	-	250,018	646,285
Net change in investment fair value	-	205,538	-	-	25,658	231,196
Interest and dividends	42,901	98,607	9,338	-	14,517	165,363
Miscellaneous	111,352	-	7,951	4,010	182,558	305,871
Total revenues	27,184,866	304,145	178,254	4,010	1,899,144	29,570,419
Expenditures						
Current:						
General government	946,373	-	142,167	-	62,388	1,150,928
Public safety	593,340	-	4,930	-	24,931	623,201
Public works	1,385,542	-	214,623	-	73,951	1,674,116
Education	19,283,742	-	121,529	-	1,544,743	20,950,014
Education - on behalf	1,204,072	-	-	-	-	1,204,072
Health & social	197,167	-	4,211	-	621,060	822,438
Community preservation	148,190	-	79,831	-	49,342	277,363
Unclassified and program	615,442	-	-	20,213	11,138	646,793
Capital outlay	-	-	1,319,574	-	129,642	1,449,216
Non-cash capital lease purchase	-	-	495,000	-	-	495,000
Debt service:						
Principle	380,000	-	134,734	-	-	514,734
Interest	36,100	-	5,297	-	-	41,397
Total expenditures	24,789,968	-	2,521,896	20,213	2,517,195	29,849,272
Excess (deficiency) of revenues over (under) expenditures	2,394,898	304,145	-2,343,642	-16,203	-618,051	-278,853
Other financing sources (uses)						
Non-cash capital lease proceeds	-	-	495,000	-	-	495,000
Transfers in	444	-	1,544,583	-	568,981	2,114,008
Transfers out	-2,014,269	-98,671	-	-	-1,068	-2,114,008
Total other financing sources (uses)	-2,013,825	-98,671	2,039,583	-	567,913	495,000
Net change in fund balance	381,073	205,474	-304,059	-16,203	-50,138	216,147
Fund balances - July 1	5,807,961	2,830,286	1,263,890	1,077,256	1,574,904	12,554,297
Fund balances - June 30	<u>\$ 6,189,034</u>	<u>\$ 3,035,760</u>	<u>\$ 959,831</u>	<u>\$ 1,061,053</u>	<u>\$ 1,524,766</u>	<u>\$ 12,770,444</u>

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, 2019

Net changes in governmental fund balances as shown on Statement D		\$ 216,147
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	1,958,909	
Current year depreciation expense on capital assets	<u>-1,910,669</u>	48,240
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:		42,407
3 The basis of presentation and revenue recognition is different from the government-wide financial statements and the fund financial statements and therefore prior year unearned revenues must be recognized and current amounts must be recorded as unearned:		27,829
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 and OPEB	1,168,707	
Amortization of and changes in deferred inflows for pensions and OPEB	<u>-157,514</u>	1,011,193
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	-163,855	
Current year employer pension contributions	<u>167,721</u>	3,866
6 Payments on and changes in long-term liabilities and related current 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:		
Accrued debt service interest increase	-12,033	
Bond and capital lease payable principal repayments	514,734	
Capital lease proceeds	-495,000	
Accrued compensated balances increase	2,053	
Accrued landfill post-closure costs decrease	13,000	
Net pension liability increase	-1,248,297	
Total OPEB liability decrease	<u>546,112</u>	-679,431
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 and therefore the prior year amount is subtracted and the current year amount is added:		17,242
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:		<u>27,198</u>
Change in net position of governmental activities as shown on Statement B		<u><u>\$ 714,691</u></u>

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Statement of revenues, expenditures, and changes in fund balance
Budget and actual - Budgetary basis - General fund
For the year ended June 30, 2019

	Original budget	Budget revisions	Final budget	Actual	Variance
Revenues					
Property tax revenues	\$ 19,186,119	\$ -	\$ 19,186,119	\$ 19,098,474	\$ -87,645
Intergovernmental - education	4,657,049	-	4,657,049	5,097,927	440,878
Intergovernmental - tax relief	3,140	-	3,140	19,505	16,365
Intergovernmental - other	373,321	-	373,321	488,315	114,994
Tuition	756,815	-	756,815	726,053	-30,762
Charges for services	355,344	-	355,344	396,267	40,923
Interest and dividends	18,000	-	18,000	42,901	24,901
Miscellaneous	85,300	-	85,300	111,352	26,052
Total revenues	25,435,088	-	25,435,088	25,980,794	545,706
Expenditures					
General government:					
Legal counsel	20,000	27,827	47,827	47,827	-
Selectmen	152,437	-	152,437	140,961	11,476
Elections	39,516	-	39,516	35,995	3,521
Probate court	2,374	-	2,374	2,374	-
Board of finance	3,350	-	3,350	1,236	2,114
Finance office	153,527	-	153,527	137,810	15,717
Tax collector	72,145	16	72,161	72,161	-
Board of appeals	1,000	86	1,086	1,173	-87
Town clerk	99,539	-	99,539	97,912	1,627
Assessor	76,082	-	76,082	74,864	1,218
Auditor	25,000	-	25,000	21,000	4,000
Town report	1,000	-	1,000	880	120
Computer service	119,338	-	119,338	120,028	-690
Town hall	83,860	-	83,860	66,387	17,473
Insurance	130,172	-	130,172	125,765	4,407
Renters rebate	10,000	-	10,000	-	10,000
	989,340	27,929	1,017,269	946,373	70,896
Public safety:					
Police services	344,359	-	344,359	312,822	31,537
Lebanon volunteer fire department	175,000	-	175,000	175,000	-
Fire marshall	19,905	-	19,905	16,740	3,165
Burning official	3,535	-	3,535	3,535	-
Building department	62,555	-	62,555	54,920	7,635
Fire safety complex	36,927	-	36,927	30,323	6,604
Tree warden	185	-	185	-	185
	642,466	-	642,466	593,340	49,126
Public works:					
Department of public works	802,145	13,193	815,338	821,777	-6,439
Buildings and grounds	149,681	-	149,681	138,580	11,101
Snow removal	238,734	-	238,734	235,593	3,141
Street lights	2,613	-	2,613	1,856	757
Solid waste facility	186,094	-	186,094	173,714	12,380
Cemetery commission	14,959	-	14,959	12,869	2,090
Water pollution control	4,618	-	4,618	1,153	3,465
	1,398,844	13,193	1,412,037	1,385,542	26,495
Education	19,178,937	69,020	19,247,957	19,236,054	11,903

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, 2019

	Original budget	Budget revisions	Final budget	Actual	Variance
Health & social:					
Health department	\$ 47,572	\$ -	\$ 47,572	\$ 47,572	\$ -
Vna	1,000	-	1,000	-	1,000
Human services	21,971	-	21,971	21,655	316
Wcmh Paramedic program	35,123	-	35,123	24,463	10,660
United services	5,116	-	5,116	5,116	-
Switch board	20,472	-	20,472	20,170	302
Special events	1,000	-	1,000	568	432
Senior center operations	80,740	-	80,740	77,623	3,117
	<u>212,994</u>	<u>-</u>	<u>212,994</u>	<u>197,167</u>	<u>15,827</u>
Community preservation:					
Planning and zoning	152,758	-	152,758	142,683	10,075
Zoning board of appeals	5,060	-	5,060	2,028	3,032
Economic development commission	2,000	-	2,000	1,269	731
Inland wetlands	2,000	-	2,000	1,989	11
Conservation commission	250	-	250	221	29
	<u>162,068</u>	<u>-</u>	<u>162,068</u>	<u>148,190</u>	<u>13,878</u>
Unclassified and program:					
Social security	124,855	-	124,855	114,525	10,330
Medical life dental insurance	390,389	-	390,389	341,443	48,946
Pension plan	164,863	-	164,863	158,877	5,986
Unemployment compensation	5,500	-	5,500	597	4,903
Contingency	130,000	-110,142	19,858	-	19,858
	<u>815,607</u>	<u>-110,142</u>	<u>705,465</u>	<u>615,442</u>	<u>90,023</u>
Debt service:					
Principal	380,000	-	380,000	380,000	-
Interest	36,100	-	36,100	36,100	-
	<u>416,100</u>	<u>-</u>	<u>416,100</u>	<u>416,100</u>	<u>-</u>
Total expenditures	<u>23,816,356</u>	<u>-</u>	<u>23,816,356</u>	<u>23,538,208</u>	<u>278,148</u>
Excess of revenues over (under) expenditures	<u>1,618,732</u>	<u>-</u>	<u>1,618,732</u>	<u>2,442,586</u>	<u>823,854</u>
Other financing sources (uses)					
Utilization of unassigned fund balance	-	395,537	395,537	-	-395,537
Transfers in	-	-	-	444	444
Transfers out	-1,618,732	-395,537	-2,014,269	-2,014,269	-
Total other financing sources (uses)	<u>-1,618,732</u>	<u>-</u>	<u>-1,618,732</u>	<u>-2,013,825</u>	<u>-395,093</u>
Change in fund balance	-	-	-	428,761	428,761
Current year encumbrances				-	
Prior year encumbrances				-47,688	
Non-budgeted State on-behalf revenue				1,204,072	
Non-budgeted State on-behalf expenditure				-1,204,072	
Net change in fund balance				381,073	
Fund balances - July 1				<u>5,807,961</u>	
Fund Balance - June 30				<u><u>\$ 6,189,034</u></u>	

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Statement of net position
Proprietary funds
June 30, 2019

	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	\$ 122,205
Investments	-	677,476	677,476	-
Accounts receivables	23,884	965	24,849	1,319
Current portion of benefit assessment notes	-	177,623	177,623	-
Delinquent benefit assessment notes	-	60,649	60,649	-
Delinquent borrowed interest receivable	-	31,182	31,182	-
Total assets	23,984	947,895	971,879	123,524
Capital assets				
Non-depreciable	-	-	-	-
Depreciable (net)	-	5,983,288	5,983,288	-
Total capital assets	-	5,983,288	5,983,288	-
Other assets				
Non-current portion of benefit assessment notes	-	2,518,868	2,518,868	-
Internal balances	450,743	575,291	1,026,034	-
Total other assets	450,743	3,094,159	3,544,902	-
Total Assets	\$ 474,727	\$ 10,025,342	\$ 10,500,069	\$ 123,524
Liabilities:				
Accounts payable	\$ 12,472	\$ -	\$ 12,472	\$ 2,352
Accrued hourly payroll	-	-	-	-
Other liabilities	-	51,790	51,790	-
Unearned revenues	26,786	-	26,786	-
Due to other funds	-	-	-	36,450
Long-term debt				
Portion due within one year	-	102,296	102,296	-
Portion due after one year	-	3,941,220	3,941,220	-
Total liabilities	39,258	4,095,306	4,134,564	38,802
Net Position:				
Net investment in capital assets	-	1,939,772	1,939,772	-
Restricted				
Expendable	-	-	-	84,722
Non-expendable	-	-	-	-
Unrestricted	435,469	3,990,264	4,425,733	-
Total net position	435,469	5,930,036	6,365,505	84,722
Total liabilities and net position	\$ 474,727	\$ 10,025,342	\$ 10,500,069	\$ 123,524

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, 2019

	Business-type activities			Governmental activities
	Enterprise funds			Internal service fund
	WPCA operating fund	WPCA assessment fund	Total	Dental fund
Operating revenues:				
Benefits assessment	\$ -	\$ -	\$ -	\$ -
Borrowed interest assessment	-	74,840	74,840	-
Charges for services	118,000	-	118,000	193,216
Other fees	3,191	6,751	9,942	-
Other operating revenues	2,185	-	2,185	-
Total operating revenues	123,376	81,591	204,967	193,216
Operating expenses:				
Personal services	25,329	-	25,329	-
Contractual services	-	-	-	166,187
Operation and maintenance	78,416	-	78,416	-
Depreciation	-	86,714	86,714	-
Administrative costs	-	-	-	-
Total operating expenses	103,745	86,714	190,459	166,187
Total operating income (loss)	19,631	-5,123	14,508	27,029
Nonoperating revenues (expenses):				
Investment earnings	-	2,380	2,380	169
Fiscal charges	-	-	-	-
Interest expense	-	-164,998	-164,998	-
Total nonoperating revenues (expenses)	-	-162,618	-162,618	169
Total Income (loss)	19,631	-167,741	-148,110	27,198
Contributions and transfers:				
Capital contributions	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total contributions and transfers	-	-	-	-
Change in net position	19,631	-167,741	-148,110	27,198
Net position - July 1	415,838	6,097,777	6,513,615	57,524
Net position - June 30	<u>\$ 435,469</u>	<u>\$ 5,930,036</u>	<u>\$ 6,365,505</u>	<u>\$ 84,722</u>

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Statement of cash flows
Proprietary funds
For the year ended June 30, 2019

	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	\$ -	\$ -	\$ -	\$ 202,506
Receipts from customers and users	121,269	349,295	470,564	-
Payments for goods and services	-68,729	-	-68,729	-166,817
Payments to employees	-25,415	-	-25,415	-
Other items	2,185	-	2,185	-
Utilization of general fund cash account	-29,310	-45,911	-75,221	-
Net cash from operating activities	-	303,384	303,384	35,689
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	-	-190,176	-190,176	-
Interest payments of long-term debt	-	-113,208	-113,208	-
Net cash from capital and related financing activities	-	-303,384	-303,384	-
Cash flows from investing activities:				
Investment additions	-	-	-	-
Interest and other receipts	-	2,380	2,380	169
Net cash from investing activities	-	2,380	2,380	169
Change in cash and cash equivalents	-	2,380	2,380	35,858
Cash and cash equivalents - July 1	100	675,096	675,196	86,347
Cash and cash equivalents - June 30	<u>\$ 100</u>	<u>\$ 677,476</u>	<u>\$ 677,576</u>	<u>\$ 122,205</u>
Reconciliation of operating income (loss) to net cash from operating activities:				
Operating income (loss)	\$ 19,631	\$ -5,123	\$ 14,508	\$ 27,029
Adjustments:				
Depreciation	-	86,714	86,714	-
Changes in operating assets and liabilities				
(Increase) decrease in internal balances	-29,311	-45,912	-75,223	10,609
(Increase) decrease in accounts receivable	-2,488	267,705	265,217	-1,319
Increase (decrease) in accounts payable	9,687	-	9,687	-630
Increase (decrease) in accrued payroll	-85	-	-85	-
Increase (decrease) in unearned revenue	2,566	-	2,566	-
Net cash from operating activities	<u>\$ -</u>	<u>\$ 303,384</u>	<u>\$ 303,384</u>	<u>\$ 35,689</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, 2019

	Private purpose trusts	Agency funds	Total
Assets:			
Cash	\$ -	\$ 141,078	\$ 141,078
Investments	71,058	11,102	82,160
Receivables	-	-	-
Due from other funds	1,697	-	1,697
Total assets	<u>\$ 72,755</u>	<u>\$ 152,180</u>	<u>\$ 224,935</u>
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Unearned revenues	-	-	-
Due to student groups	-	113,966	113,966
Due to other groups	-	38,214	38,214
Due to other funds	23	-	23
Total liabilities	<u>23</u>	<u>152,180</u>	<u>152,203</u>
Net position:			
Restricted			
Expendable	72,732	-	72,732
Non-expendable	-	-	-
Unrestricted	-	-	-
Total net position	<u>72,732</u>	<u>-</u>	<u>72,732</u>
Total liabilities and net position	<u>\$ 72,755</u>	<u>\$ 152,180</u>	<u>\$ 224,935</u>
Additions			
Property tax revenues	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-
Interest and dividends	687	-	687
Net change in investment fair value	1,145	-	1,145
Miscellaneous	-	-	-
Total additions	<u>1,832</u>	<u>-</u>	<u>1,832</u>
Deductions			
Salary and wages	-	-	-
Program operating costs	2,096	-	2,096
Capital expenditures	-	-	-
Total deductions	<u>2,096</u>	<u>-</u>	<u>2,096</u>
Transfers			
Transfers in	-	-	-
Transfers out	-	-	-
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	-264	-	-264
Net position - July 1	<u>72,996</u>	<u>-</u>	<u>72,996</u>
Net position - June 30	<u>\$ 72,732</u>	<u>\$ -</u>	<u>\$ 72,732</u>

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2019

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 \$6,251 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, 2019

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.

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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.

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

The balance sheet is used to report information about the current financial resources (assets, liabilities, and fund balances) of each major governmental fund and for all non-major governmental funds in the aggregate. The fund balance amounts within the governmental funds are segregated between nonspendable, restricted, committed, assigned and unassigned amounts. These balances are shown on the face of the balance sheet with a description of the meaning and purpose of each category being shown in note 1R starting on page 33. An accompanying schedule is required to reconcile the total governmental fund balance to the total net position balance of the governmental activities of the Town as shown on the government-wide statement of net position.

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

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

The statement of net position presents the financial position of the proprietary funds at the end of the fiscal year. This statement reports the assets, liabilities, and net position of 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.

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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.

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E. Revenue recognition - property taxes

The Town's property tax for the current year was levied May 15, 2018 on the grand list as of October 1, 2017, for the real, motor vehicle and personal property located in the Town at a rate of 29.4 mills. Real estate, personal property and motor vehicle taxes were due on July 1, 2018, and January 1, 2019. Supplemental motor vehicle taxes were due on January 1, 2019. 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 \$944,915 is made up of general property taxes receivable of \$638,224, state, federal and other grant receivables of \$163,934, tuition billing receivables of \$134,805 and other miscellaneous receivables of \$7,952. The long-term accounts receivable balance of \$131,597 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 \$1,013,622 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 borrowed 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 \$269,656 leaving a current and long-term receivable amount due of \$2,757,140. Current fiscal year borrowed interest collections totaled approximately \$72,014 including currently billed amounts and previously billed amounts leaving a outstanding receivable of \$31,182. Current fiscal year user fee collections totaled approximately \$119,311 including currently billed amounts and previously billed amounts leaving a outstanding receivable of \$23,884.

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.

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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 \$11,204 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.

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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 \$74,207. This balance is made up of \$54,597 which represents unspent state, federal and other grant program balances which will be used in the upcoming fiscal year, \$11,106 which represents tax payments made for the upcoming fiscal year and \$8,504 which represents lease revenue received for the upcoming fiscal year. The current fiscal year unearned revenue balance of the business-type activities of the Town as shown on the statement of net position totaled \$26,786 which represents user fee collections received by the town not due until the upcoming fiscal year. In the fund financial statements, revenues are recognized when they are both measurable and available to pay current liabilities. The current fiscal year unearned revenue balance of the governmental activities as shown on the balance sheet totaled \$19,610 and is made up of the above mentioned advance tax payments and advance lease revenue.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The governmental activities have deferred outflows that relate to both the net pension liability and the total OPEB liability. The pension related deferred outflow includes the Town's current fiscal year pension contributions made subsequent to the measurement date, which are recognized as a reduction of the net pension liability in the subsequent fiscal year while both the pension and OPEB related deferred outflow may include differences between expected and actual experience, changes in assumptions and changes in the proportionate share of contributions, 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 \$1,461,239. This balance is made up of current fiscal year pension contributions made by the town in the amount of \$167,721 and the actuarial determined pension differences between expected and actual experience of \$298,705, the net difference between projected and actual earnings on pension plan investments of \$126,233, changes of assumptions of \$714,330, changes in the proportionate share of \$85,431 and the actuarial determined OPEB changes of assumptions of \$68,819.

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 both the net pension liability and the total OPEB liability, which may include differences between expected and actual experience, changes in assumptions and changes in the proportionate share of contributions, 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 inflows of resources balance of the governmental activities of the Town as shown on the statement of net position totaled \$261,741. This balance is made up of the actuarial determined pension changes in the proportionate share of contributions of \$3,292 and the actuarial determined OPEB differences between expected and actual experience of \$183,227 and changes of assumptions of \$75,222. 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 \$543,160.

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O. Accounts payable, accrued payroll and other liabilities

The accounts payable balance of the town is used to account for the expenses or expenditures related to invoices for the current fiscal year which have been received but which have not yet been paid. 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 governmental activities other liabilities balance of \$155,928 as shown on the statement of net position is made up of tax refunds issued but not yet paid of \$47,467, driveway and performance bonds which have been received but not yet fulfilled and thus not yet returned of \$85,710, unclaimed property checks to either be repaid or sent to the state of \$7,816, accrued debt service interest of \$12,033 and other miscellaneous items of \$2,902. All of these items are also included on the balance sheet with the exception of accrued debt service interest. The business-type activities other liabilities balance of \$51,790 is also accrued debt service interest.

P. Long-term obligations and related costs

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

Q. Major funds - Fund financial statements only

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

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

For the purposes of the current fiscal year fund financial statements, the following individual governmental funds have been classified as major. A brief description of these funds and the activities reported within each fund is as follows. Additional information on these funds can be found in Sub-Schedules A through D on pages 74 through 77 of the financial statements.

- d. Trumbull investments fund - This fund is used to account for three sets of investments donated to the town by Hugh Trumbull Adams with the interest and dividend revenue generated by these investments to be used to help fund the operations of the town library, the Adams community center, and the Jonathan Trumbull Jr. house.
- e. Town capital funds - This fund is used to account for financial resources to be used by the Town to purchase or construct capital assets or projects. The capital assets purchased or constructed through this fund are usually more costly than those purchased and accounted for within other funds, functions, and departments. The activities within this fund are financed through annual appropriations as approved as part of the annual budget, long-term and short term financing and through other miscellaneous grants and revenues. This fund is individually made up of the capital non-recurring fund which accounts for a number of capital purchases and other internal funds which the town uses to keep track of individual town construction projects.
- f. Small cities program fund - This fund is used to account for and report the proceeds and activity of housing rehabilitation Community Development Block Grants received from the U.S. Department of Housing and Urban Development. The purpose of these grants is to provide assistance to low to moderate income residents for addressing housing needs with a priority being placed on public health and safety code violations and to establish a permanent loan fund using the proceeds. Each resident receiving benefits under these grants is required to sign a deferred promissory note of which ten percent of the principal balance of the note is forgiven each of the first five years of the note. Current program notes are not forgiven in this manner. 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, 2019

R. Fund balance classification policies and procedures - fund financial statements only

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

- a. **Nonspendable fund balance** - Nonspendable fund balance include amounts that cannot be spent because they are either (a) not in a spendable form such as inventories or prepaid expenditures or (b) they are legally or contractually required to be maintained intact such as the principal portion of a permanent fund. The nonspendable funds balance amounts as reported by the Town consist solely of the principal portion of its permanent funds and a corresponding amount for the recorded amount of inventory and prepaid expenditures, when applicable.
- b. **Restricted fund balances** - Restricted fund balance include amounts that are restricted to a specific purpose when the restraints are placed on the use of the resources either by (a) externally imposed creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Town to assess, levy, charge or otherwise mandate payment of resources from external sources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. The restricted fund balance amounts of the Town consist of the residual fund balance amounts at the end of the fiscal year as they relate to grants received from either State, Federal or local funding sources or donations received to be spent for specific purposes. These amounts are restricted to be expended on the items outlined within the funding agreement with the Town and cannot be used for any other specified purposes. In addition, the Town has created a special revenue fund to account for and report the proceeds of funds collected by the town clerks office as mandated by the State of Connecticut in relation to historic document preservation fees and locip surcharge assessment fees. These mandated fees are considered a form of enabling legislation imposed by the State and therefore the funds collected by the Town are restricted to be expended based on the parameters of the enabling legislation. Other funds restricted by the Town include the balance of the housing rehabilitation income fund which relates to housing rehabilitation grants received by the Town and the non-principal portion of permanent funds.
- c. **Committed fund balance** - Committed fund balance include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision making authority. These committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The Board of Finance is considered to be the highest level of decision making authority within the Town for determining committed fund balance amounts. The Board of Finance has the final approval for the budget amounts which are presented to the citizens of the Town for approval and in turn the establishment of the related special revenue or capital project funds. The approval of the annual town budget includes amounts characterized as specific revenue sources as a portion of either the annual tax commitment or other specific revenue sources contained and voted on within the annual budget. An example of a committed fund balance amount would relate to an approved transfer to an established special revenue fund or the capital nonrecurring fund. The residual fund balance amount within these funds at the end of the fiscal year would be classified as committed fund balance. Any subsequent change in the specific purpose or use of these committed funds would need to be approved either at the annual town meeting or a special town meeting. The current fiscal year committed general fund amount of \$949,463 relates to an amount of up to \$1,000,000 which was approved at a special town meeting relating to storm damage repairs though only \$50,537 was utilized during the current fiscal year.
- 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
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The Town does not have an established policy relating to the use of unrestricted fund balance amounts as it relates to when it considers committed, assigned or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of these three unrestricted classifications could be used. Absent of an established policy which addresses this situation, accounting guidance states that it should consider that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts. In addition, restricted fund balance amounts are considered to have been spent prior to unrestricted amounts under the same circumstances. The following table is designed to provide more detailed information regarding the aggregated fund balance classifications which are included on the balance sheet.

	General fund	Trumbull investment funds	Town capital funds	Small cities program funds	Non-major governmental funds	Totals
Fund balances:						
Nonspendable:						
Prepaid and inventory items	\$ 14,504	\$ -	\$ 1,350	\$ -	\$ 12,704	\$ 28,558
Permanent funds principal	-	-	-	-	319,272	319,272
	14,504	-	1,350	-	331,976	347,830
Restricted:						
Town grants	-	-	-	-	10,522	10,522
Education grants	-	-	-	-	44,075	44,075
Trumbull donations funds	-	3,035,760	-	-	250,224	3,285,984
Other town donation funds	-	-	-	-	87,540	87,540
Housing rehab income fund	-	-	-	1,061,053	-	1,061,053
Enabling legislation funds	-	-	-	-	70,994	70,994
Permanent funds non-principal	-	-	-	-	61,740	61,740
	-	3,035,760	-	1,061,053	525,095	4,621,908
Committed:						
Town construction projects	-	-	69,134	-	-	69,134
Capital nonrecurring balances	-	-	1,043,231	-	-	1,043,231
School capital fund	-	-	245,692	-	-	245,692
Lebanon public library	-	-	-	-	175,004	175,004
Lebanon recreation commission	-	-	-	-	17,946	17,946
Jonathan Trumbull Jr. house	-	-	-	-	33,288	33,288
Adams community center	-	-	-	-	69,017	69,017
Town improvement program	-	-	-	-	105,733	105,733
Senior vans program	-	-	-	-	51,876	51,876
Lake Williams project	-	-	-	-	31,796	31,796
Approved storm damage funds	949,463	-	-	-	-	949,463
	949,463	-	1,358,057	-	484,660	2,792,180
Assigned:						
Dog fund	-	-	-	-	8,835	8,835
Town donation and grant funds	-	-	-	-	17,961	17,961
Summer dance festival	-	-	-	-	17,773	17,773
Cemetery lot funds	-	-	-	-	8,556	8,556
Historic building funds	-	-	-	-	10,731	10,731
Education programs	-	-	-	-	26,915	26,915
Education activity accounts	-	-	-	-	94,082	94,082
	-	-	-	-	184,853	184,853
Unassigned:						
General fund	5,225,067	-	-	-	-	5,225,067
Town construction projects	-	-	-371,326	-	-	-371,326
Capital non-recurring balances	-	-	-28,250	-	-	-28,250
Education and other programs	-	-	-	-	-470	-470
Permanent funds principal	-	-	-	-	-1,348	-1,348
	5,225,067	-	-399,576	-	-1,818	4,823,673
Total fund balances	\$ 6,189,034	\$ 3,035,760	\$ 959,831	\$ 1,061,053	\$ 1,524,766	\$ 12,770,444

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2019

S. 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.

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, 2019 was \$0 for the general fund as it relates to the Board of Education, and \$0 for the non-major special revenue funds as they relate to the State and Federal grant programs of the Board of Education.

U. Budget

The Town's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting (except in relation to teacher on-behalf payments made by the State which are not budgeted for and encumbrances) which is consistent with generally accepted accounting principles. In addition, the budget calls for certain amounts to be transferred or allocated to specific funds which have been set up by the Town for specific purposes. A portion of the budgeted revenues to be raised by the annual tax commitment are considered by the Town to be a specific revenue source which are committed to expenditure for these specified purposes. The budget calls for the revenue to be shown within the general fund and a transfer out to be shown to each of these specific funds. These specific portions of the annual tax commitment are shown within each specific special revenue and capital project fund as a transfer in rather than as property tax revenue. The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the department level within each general function of the Town. Only the Board of Finance may approve budget transfers within and between expenditure classes and individual departments in accordance with applicable State statutes. The bottom line budgeted revenue and expenditure amounts can only change upon approval of the inhabitants of the Town through a special town meeting. The procedures followed in establishing the budgetary data reflected in the financial statements are as follows:

- a. Early in the second half of the last fiscal year the Town's selectmen, departments, boards and commissions submitted budget requests for the year beginning July 1. The operating budgets include proposed expenditures and the means of financing them.
- b. Hearings are then held for the submitted budget requests by functions: (1) Selectmen's budget, (2) departments, (3) boards and commissions, (4) capital and nonrecurring requests and (5) Board of Education.
- c. A meeting of the inhabitants of the Town is then called for the purpose of adopting the proposed budget after public notice of the meeting had been given. The current fiscal year budget was adopted by the inhabitants of the Town on May 7, 2018.

Town general fund	Revenues	Expenditures	Other financing sources (uses)	Net change in fund balance
GAAP basis - Statement D	\$ 27,184,866	\$ -24,789,968	\$ -2,013,825	\$ 381,073
Current fiscal year encumbrances	-	-	-	-
Prior fiscal year encumbrances	-	47,688	-	47,688
State on-behalf benefits related to pensions	-2,949,073	2,949,073	-	-
State on-behalf benefits related to OPEB	1,745,001	-1,745,001	-	-
Budgetary basis - Statement E	<u>\$ 25,980,794</u>	<u>\$ -23,538,208</u>	<u>\$ -2,013,825</u>	<u>\$ 428,761</u>

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2019

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 \$3,403,836 is made up of the balance of the investments which have been donated to the Town and whose interest and earnings are used to partially fund the operations of the Towns library, community center, and the Jonathan Trumbull Jr. house. A portion of this restricted investments balance in the amount of \$3,035,760 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 \$368,076. 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	\$ 47,431
Unearned state, federal, and other grant program balances	54,597
Principal balance of non-major permanent funds	9,501
Restricted donation funds	337,764
Enabling legislation program funds	70,994
	<u>\$ 520,287</u>

Note 3 - Deposits and investments

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

Deposits - Primary government

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a formal deposit policy for custodial credit risk beyond the requirements of State statutes. FDIC insurance covers all deposit accounts, including checking and savings accounts, money market deposit accounts and certificates of deposit. The standard insurance amount is \$250,000 per depositor, per insured bank, for each account ownership category. For government accounts the ownership category is per official custodian. At year end, the carrying amount of the Town's deposits was \$13,219,279 which is shown in the financial statements as cash balances of \$3,415,203 and investment balances of \$9,804,076 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 \$13,828,441 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, \$750,000 was covered by FDIC with the remaining \$13,078,441 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
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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 \$235,056 which is shown in the financial statements as cash balances of \$138,719 and investment balances of \$96,337 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 \$251,166 with the difference between the two amounts being represented by timing differences with outstanding checks and deposits in transit. Of these bank balances, \$250,000 was covered by FDIC with the remaining \$1,166 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, 2019.

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	\$ 26,193	\$ 26,193	\$ -	\$ -	\$ -	AAAm
Preferred stocks	10,937	10,937	-	-	-	not rated
Exchange traded funds	399,653	399,653	-	-	-	not rated
Unit trusts	659	659	-	-	-	not rated
Money market and certificates	9,752,512	7,434,480	2,318,032	-	-	not rated
Municipal bonds	51,723	-	5,440	46,283	-	AAA
Municipal bonds	48,833	-	-	48,833	-	AA+
Municipal bonds	99,179	-	-	99,179	-	AA
Municipal bonds	11,508	-	-	-	11,508	BBB+
Corporate bonds	76,663	40,049	30,439	6,175	-	AA- to AA+
Corporate bonds	159,538	23,107	136,431	-	-	A- to A+
Corporate bonds	99,648	-	54,137	45,511	-	BBB+
Corporate bonds	24,863	24,863	-	-	-	BB-
	10,761,909	<u>\$ 7,959,941</u>	<u>\$ 2,544,479</u>	<u>\$ 245,981</u>	<u>\$ 11,508</u>	
Stock equities	1,947,068					
Mutual fund equities	468,555					
	<u>\$ 13,177,532</u>					
Fiduciary funds:						
Money market and certificates	\$ 65,805	<u>\$ 65,805</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	not rated
Mutual fund equities	16,355					
	<u>\$ 82,160</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, 2019

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	\$ 26,193	\$ 26,193	\$ -	\$ -
Preferred stocks	10,937	10,937	-	-
Exchange traded funds	399,653	399,653	-	-
Unit trusts	659	659	-	-
Money market and certificates	9,752,512	9,752,512	-	-
Municipal bonds	211,243	211,243	-	-
Corporate bonds	360,712	360,712	-	-
Stock equities	1,947,068	1,947,068	-	-
Mutual fund equities	468,555	468,555	-	-
	<u>\$ 13,177,532</u>	<u>\$ 13,177,532</u>	<u>\$ -</u>	<u>\$ -</u>
Fiduciary funds:				
Money market and certificates	\$ 65,805	\$ 65,805	\$ -	\$ -
Mutual fund equities	16,355	16,355	-	-
	<u>\$ 82,160</u>	<u>\$ 82,160</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, 2019.

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	\$ 97,038	<u>\$ 701</u>	<u>\$ 96,337</u>	<u>\$ -</u>	<u>\$ -</u>	not rated
Stock equities	9,627					
Mutual fund equities & unit trusts	531,839					
	<u>\$ 638,504</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, 2019.

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2019

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	\$ 359,315	\$ 1,299,303
Non-major special revenue funds	334,711	890,407
Non-major capital project funds	-	31,796
Non-major permanent funds	546	5,691
	694,572	2,227,197
Proprietary enterprise funds	-	1,026,034
Proprietary internal service funds	36,450	-
Private purpose trust funds	23	1,697
	<u>\$ 731,045</u>	<u>\$ 3,254,928</u>
Town capital funds:		
General fund	<u>\$ 1,299,303</u>	<u>\$ 359,315</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	\$ -	\$ -1,544,583
Non-major special revenue funds	-	-469,686
Non-major permanent funds	444	-
	<u>\$ 444</u>	<u>\$ -2,014,269</u>
Trumbull investment funds:		
Non-major special revenue funds	<u>\$ -</u>	<u>\$ -98,671</u>
Town capital funds:		
General fund	<u>\$ 1,544,583</u>	<u>\$ -</u>

Town of Lebanon, Connecticut
Notes to the basic financial statements
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Note 5 - Capital assets

The following schedule shows the capital asset activity for the fiscal year ended June 30, 2019. Information about the specific accounting policies of the Town in relation to capital assets can be found in note 1J on page 30 of the notes to the financial statements.

	Balance 07/01/18	Additions	Retirements	Balance 06/30/19
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 2,228,189	\$ -	\$ -	\$ 2,228,189
Construction in progress	108,844	11,765	-	120,609
Total capital assets not being depreciated	2,337,033	11,765	-	2,348,798
Capital assets being depreciated:				
Buildings and improvements	37,386,189	99,827	-	37,486,016
Vehicles	4,958,348	752,473	-50,000	5,660,821
Equipment	1,618,454	174,418	-	1,792,872
Infrastructure	30,263,740	920,426	-	31,184,166
Total capital assets being depreciated	74,226,731	1,947,144	-50,000	76,123,875
Less accumulated depreciation for:				
Building and improvements	-17,595,124	-	-945,466	-18,540,590
Vehicles	-2,933,872	50,000	-310,260	-3,194,132
Equipment	-1,093,045	-	-130,930	-1,223,975
Infrastructure	-20,875,218	-	-524,013	-21,399,231
Total accumulated depreciation	-42,497,259	50,000	-1,910,669	-44,357,928
Total capital assets being depreciated (net)	31,729,472	1,997,144	-1,960,669	31,765,947
Total capital assets (net)	<u>\$ 34,066,505</u>	<u>\$ 2,008,909</u>	<u>\$ -1,960,669</u>	<u>\$ 34,114,745</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 - \$6,793, public safety - \$218,841, public works - \$154,514, health & social - \$93,016, education - \$913,492 and general infrastructure - \$524,013 for a total current fiscal year depreciation expense amount of \$1,910,669.

	Balance 07/01/18	Additions	Retirements	Balance 06/30/19
Business-type activities:				
Capital assets being depreciated:				
Lebanon Amston Lake Sewage System	\$ 6,503,574	\$ -	\$ -	\$ 6,503,574
Less accumulated depreciation	-433,572	-	-86,714	-520,286
Total capital assets being depreciated (net)	<u>\$ 6,070,002</u>	<u>\$ -</u>	<u>\$ -86,714</u>	<u>\$ 5,983,288</u>

	Balance 07/01/18	Additions	Retirements	Balance 06/30/19
Component unit:				
Capital assets being depreciated:				
Buildings, vehicles and equipment	\$ 408,873	\$ 53,216	\$ -5,300	\$ 456,789
Less accumulated depreciation	-243,271	5,300	-22,395	-260,366
Total capital assets being depreciated (net)	<u>\$ 165,602</u>	<u>\$ 58,516</u>	<u>\$ -27,695</u>	<u>\$ 196,423</u>

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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 07/1/18	Additions	Reductions	Balance 06/30/19	Amount due within one year
Governmental activities:					
Outstanding payables:					
\$5,750,000 bond payable	\$ 1,140,000	\$ -	\$ -380,000	\$ 760,000	\$ 380,000
\$495,000 capital lease payable	-	495,000	-24,918	470,082	95,291
\$294,000 capital lease payable	51,578	-	-51,578	-	-
\$115,000 capital lease payable	26,438	-	-26,438	-	-
\$81,823 capital lease payable	31,800	-	-31,800	-	-
Total outstanding payables	<u>1,249,816</u>	<u>495,000</u>	<u>-514,734</u>	<u>1,230,082</u>	<u>475,291</u>
Other liabilities:					
Accrued comp. absences - school	44,981	7,611	-	52,592	-
Accrued comp. absences - town	48,040	-	-9,664	38,376	-
Accrued landfill post-closure costs	18,631	-	-13,000	5,631	5,631
Net pension liability	848,408	1,248,297	-	2,096,705	-
Total OPEB liability	<u>3,162,866</u>	<u>-</u>	<u>-546,112</u>	<u>2,616,754</u>	<u>-</u>
Total other liabilities	<u>4,122,926</u>	<u>1,255,908</u>	<u>-568,776</u>	<u>4,810,058</u>	<u>5,631</u>
Total long-term liabilities	<u>\$ 5,372,742</u>	<u>\$ 1,750,908</u>	<u>\$ -1,083,510</u>	<u>\$ 6,040,140</u>	<u>\$ 480,922</u>
Business-type activities:					
Outstanding payables:					
\$5,105,000 bond payable	<u>\$ 4,233,692</u>	<u>\$ -</u>	<u>\$ -190,176</u>	<u>\$ 4,043,516</u>	<u>\$ 102,296</u>
Component unit:					
Outstanding payables:					
\$25,200 capital lease payable	<u>\$ 16,800</u>	<u>\$ -</u>	<u>\$ -16,800</u>	<u>\$ -</u>	<u>\$ -</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%.

\$ 760,000

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%.

\$ 4,043,516

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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
2020	\$ 380,000	\$ 21,660	\$ 401,660	\$ 102,296	\$ 101,088	\$ 203,384
2021	380,000	7,220	387,220	104,854	98,530	203,384
2022	-	-	-	107,475	95,909	203,384
2023	-	-	-	110,162	93,222	203,384
2024	-	-	-	112,916	90,468	203,384
2025 - 2029	-	-	-	608,360	408,560	1,016,920
2030 - 2034	-	-	-	688,304	328,616	1,016,920
2035 - 2039	-	-	-	778,753	238,167	1,016,920
2040 - 2044	-	-	-	881,086	135,834	1,016,920
2045 - 2049	-	-	-	549,310	26,856	576,166
	<u>\$ 760,000</u>	<u>\$ 28,880</u>	<u>\$ 788,880</u>	<u>\$ 4,043,516</u>	<u>\$ 1,617,250</u>	<u>\$ 5,660,766</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 2015 Peirce fire truck. This lease purchase agreement runs from April of 2019 through January of 2024 with monthly payments of \$9,417 which includes interest at a rate of 4.15%. The gross amount of this truck recorded as a vehicle type capital asset is \$745,000 which is made up of \$250,000 paid by the town and the \$495,000 capital lease. This item is being amortized over a 15 year period and the accumulated amortization (depreciation) taken as of June 30, 2019 was \$8,278. The total monthly payments on this lease over the next five fiscal years are equal to approximately \$516,926. The amount of these payments representing interest is equal to approximately \$46,844 leaving the net present value of future minimum lease payments equaling \$470,082.

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, 2019, school accumulated sick balances totaled approximately \$334,784. 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.

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, 2019 the amount outstanding for post-closure monitoring was \$5,631 which is shown as a long-term liability on the government-wide statement of net position.

Town of Lebanon, Connecticut
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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 \$1,600,000 was paid in full with interest at 1.35% on July 13, 2018 and replaced with the current fiscal year outstanding bond anticipation note payable in the amount of \$2,600,000 due July 11, 2019 with interest at 2.45%. 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 \$154,605 with an additional amount of \$63,823 being recorded as accrued debt service interest amounts in the government-wide financial statements for a total of \$218,428. The entire amount of interest expense incurred was charged to expense. For the governmental activities and funds of the town, in the fund financial statements \$36,100 was shown as a general fund line item and \$5,297 was shown in the Town capital funds relating to the capital leases of the town with an additional amount of \$12,033 being shown in the government-wide financial statements as accrued debt service interest. For the business-type activities of the town, \$113,208 was incurred as part of the WPCA benefit assessment proprietary fund with an additional amount of \$51,790 being recorded as accrued debt service interest.

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, 2019 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	\$ 78,472,673	\$ 6,503,574	\$ 84,976,247	\$ 456,789
Less accumulated depreciation	-44,357,928	-520,286	-44,878,214	-260,366
Book value of capital assets	34,114,745	5,983,288	40,098,033	196,423
Less capital assets related debt	-1,230,082	-4,043,516	-5,273,598	-
	<u>\$ 32,884,663</u>	<u>\$ 1,939,772</u>	<u>\$ 34,824,435</u>	<u>\$ 196,423</u>

Town of Lebanon, Connecticut
Notes to the basic financial statements
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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. For all loans entered into through June 30, 2015, 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. For all loans entered into after June 30, 2015, the principal amount of the loan is not forgivable. 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, 2019, the following balances represent the loan fund described above.

Cash and restricted cash	\$ 47,431
Notes receivable (net of allowance)	1,013,622
Restricted net position and restricted fund balance	-1,061,053
	<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, 2019, 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 (\$371,326). 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. In addition, one individual project within the capital non-recurring fund 220 had an unassigned deficit fund balance of (\$28,250). This deficit related to the individual account being used for the monthly capital lease payments for the newly purchased fire truck. These payments started prior to the end of the current fiscal year though funding of the individual account will be included in the upcoming fiscal years annual budget. As of June 30, 2019, the town non-major special revenue funds included one individual school grant and one individual town program with unassigned deficit fund balances. 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. The town farmers market program has an unassigned deficit fund balance of (\$435) which is expected to be funded through subsequent fiscal year revenues. As of June 30, 2019, 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 (\$1,010) and the Elizabeth Grant scholarship fund had an unassigned deficit fund balance of (\$338) 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.

Note 12 - On-behalf payments

The Town has recorded a revenue and expenditure for Connecticut State Teachers' Retirement Board Pension and OPEB Contributions made by the State of Connecticut on-behalf of the Lebanon School Department teachers for the fiscal year ended June 30, 2019 in accordance with 10-183z of the Connecticut General Statutes which reflects public act 79-436 as amended. For the fiscal year ended June 30, 2019, the Town recognized on-behalf pension revenue and expense of \$2,949,073 and on-behalf OPEB revenue and expense of a negative (\$1,745,001) for these benefits provided by the State of Connecticut for a total of \$1,204,072. These on-behalf amounts were determined based on the most recent actuarial valuation as of June 30, 2018. These amounts were not budgeted for in the general fund and results in a difference in reporting on a budgetary basis of accounting versus reporting under GAAP. A separate intergovernmental revenue and education expenditure in the amount of \$1,204,072 have been included in the general fund on Statement D (GAAP basis) and have not been reported in the detail of Statement E (budgetary basis). There is no effect on fund balance at the end of the fiscal year. A separate operating grants and contributions revenue and education expense in the amount of \$1,204,072 have been included on Statement B. There is no effect on the net position balance at the end of the fiscal year.

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Note 13 - 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 2.25% 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
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Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions -

At June 30, 2019, the Town is reporting a liability of \$2,096,705 for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The Town's proportion of the net pension liability was calculated based upon the Town's pro rata share of the 2018 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 .548217 percent which was an increase from the prior fiscal year proportion amount of .513251 percent.

For the year ended June 30, 2018, the Town's actuarial determined pension expense as a percentage of the total plan pension expense was \$331,934. At June 30, 2019, 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	\$ 298,705	\$ -
Changes of assumptions	714,330	-
Changes in proportional share of employer	85,431	-3,292
Net difference between projected and actual earnings on Plan investments	126,233	-
	1,224,699	-3,292
Contributions subsequent to the measurement date	167,721	-
Total	<u>\$ 1,392,420</u>	<u>\$ -3,292</u>

The \$167,721 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, 2020. 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:

2020	\$ 373,706
2021	324,001
2022	246,198
2023	277,502
	<u>\$ 1,221,407</u>

Actuarial assumptions - The total pension liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement. The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2017.

Inflation	2.50%
Salary increases	3.50% to 10.00%, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation
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%.
Mortality rates	Mortality rates for the period after retirement and for dependent beneficiaries, mortality rates were based on the RP-2014 Combined Mortality Table adjusted to 2006 and projected to 2015 with Scale MP-2017 and projected to 2022 with Scale BB for General Employees and the RP-2014 Blue Collar Mortality Table adjusted to 2006 and projected to 2015 with Scale MP-2017 and projected to 2022 with Scale BB for Police and Fire. For disabled retirees, the RP-2014 Disabled Mortality Table projected with Scale BB to 2020 was used. The static projection produces sufficient margin in the mortality rates to reflect future improvement in our judgement.

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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
Domestic equity	20.0%	5.3%
Developed market international	11.0%	5.1%
Emerging market international	9.0%	7.4%
Core fixed income	16.0%	1.6%
Inflation linked bond fund	5.0%	1.3%
Emerging market debt	5.0%	2.9%
High yield bond	6.0%	3.4%
Real estate	10.0%	4.7%
Private equity	10.0%	7.3%
Alternative investments	7.0%	3.2%
Liquidity fund	1.0%	0.9%
Total	100.0%	

Discount rate - The discount rate used to measure the total pension liability was 7.00%. 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 7.00%, 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 (6.00%) or 1 percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current discount rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability	\$ 2,828,499	\$ 2,096,705	\$ 1,248,754

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, 2018 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
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Note 14 - 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, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. At June 30, 2019, the Town has no proportionate share of the net pension liability. For the year ended June 30, 2019, the Town recognized pension revenue and expense of \$2,949,073 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	26,276,501
Total	<u>\$ 26,276,501</u>

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Notes to the basic financial statements
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Actuarial assumptions - The total pension liability was determined by an actuarial valuation as of June 30, 2018, 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, 2019

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 15 - 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 and 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, 2019

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, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. At June 30, 2019, the Town has no proportionate share of the net OPEB liability. For the year ended June 30, 2019, the Town recognized OPEB revenue and expense of a negative (\$1,745,001) 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	5,252,871
Total	<u><u>\$ 5,252,871</u></u>

Actuarial assumptions and other inputs - The total OPEB liability was determined by an actuarial valuation as of June 30, 2018 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	3.00%, net of OPEB plan investment expense, including inflation
Discount rate	3.87% as of June 30, 2018 which is equal to the published Bond Buyer Go 20-Bond Municipal Index rate as of the measurement date
Healthcare cost trend rates: Pre-medicare	5.95% for 2018, decreasing to an ultimate rate of 4.75% by 2025
Medicare	5.00% for 2018, decreasing to an ultimate rate of 4.75% by 2028
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%	0.27%	2.74%
Price inflation		2.75%	
Expected rate of return (rounded nearest 0.25%)		3.00%	

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2019

Discount rate - The discount rate used to measure the total OPEB liability was 3.87%. 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, 2018. In addition to the actuarial methods and assumptions of the June 30, 2018 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.

Based on those assumptions, the Plan's fiduciary net position was projected to be depleted in 2019 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 16 - 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, 2019

Employees covered by benefit terms - The following employees were covered by the benefit terms of the Plan as of July 1, 2018, the date of the last actuarial valuation.

	Participant count
Active plan members	134
Inactive plan members or beneficiaries currently receiving benefits	8
Inactive plan members entitled to but not yet receiving benefits	0
	<u>142</u>

Total OPEB liability - The Town's total OPEB liability was \$2,616,754 as of June 30, 2019. The July 1, 2018 actuarial valuation directly calculated the July 1, 2018 liability. The July 1, 2018 liability was increased by service cost and interest and decreased by benefit payments to estimate the total OPEB liability as of June 30, 2019. The liability as of June 30, 2019 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, 2019 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, 2018 as adjusted for June 30, 2019 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	3.51% as of June 30, 2019 which is equal to the published Bond Buyer Go 20-Bond Municipal Index effective as of June 30, 2019.
Rate of compensation increase	2.60%
Healthcare cost trend rates	7.50% for 2018, decreasing .50% per year, to an ultimate rate of 4.60% for 2023 and later
Mortality rates	RP-2014 adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2018

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, 2019:

	Total OPEB liability
Balance as of June 30, 2018	\$ 3,162,866
Changes for the year:	
Service cost	72,682
Interest	123,385
Differences between expected and actual experience	-184,483
Changes of benefit terms	-536,637
Changes of assumptions	74,460
Benefit payments	-95,519
Net changes	<u>-546,112</u>
Balance as of June 30, 2019	<u>\$ 2,616,754</u>

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2019

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 (2.51%) or 1 percentage point higher (4.51%) than the current discount rate:

	1% Decrease (2.51%)	Current discount rate (3.51%)	1% Increase (4.51%)
Total OPEB liability	\$ 2,923,070	\$ 2,616,754	\$ 2,355,858

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 (6.00% decreasing to 3.60%)	Current trend rates (7.00% decreasing to 4.60%)	1% Increase (8.00% decreasing to 5.60%)
Total OPEB liability	\$ 2,373,891	\$ 2,616,754	\$ 2,905,271

OPEB expense and Deferred outflows and inflows of resources related to OPEB - For the year ended June 30, 2019, the Town's actuarial determined OPEB expense was a negative (\$383,682). At June 30, 2019, 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	\$ -	\$ -183,227
Changes of assumptions	68,819	-75,222
Total	\$ 68,819	\$ -258,449

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:

2020	\$ -24,620
2021	-24,620
2022	-24,620
2023	-24,620
2024	-24,620
Thereafter	-66,530
	\$ -189,630

Note 17 - Subsequent events

The Town has evaluated subsequent events through January 10, 2020, the date to which the financial statements were available to be issued. The Town entered into a bond anticipation note agreement dated July 11, 2019 to provide interim funding for the town bridges project. The amount of the note is \$1,900,000 with a maturity date of July 9, 2020 and interest at a rate of 2.00%. At a special town meeting on October 28, 2019, the town approved the transfer of ownership of the Jonathan Trumbull Jr. House Museum, the real property and the endowment established to maintain the Museum to the Lebanon Historical Society. As of June 30, 2019 the recorded value of the property by the town was \$173,327 and the recorded value of the endowment was \$568,249.

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2019

Note 18 - 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 three year boiler maintenance agreement through June 30, 2022 at annual costs of \$13,752, \$13,752 and \$14,165, respectively. The Board entered into a three year preventive maintenance agreement through June 30, 2022 at annual costs of \$17,304, \$17,304 and \$18,336, respectively. The Board entered into a one year turf and landscaping contract through June 30, 2020 at an annual cost of \$50,400. 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 one year athletic training services agreement through June 30, 2020 at an annual cost of \$20,000. The Board entered into a one year facilities management system, system support services and temperature control agreement through June 30, 2020 at a cost of \$17,568. The Board entered into a Internet service agreement through June 30, 2019 which automatically renewed through June 30, 2020 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 one year mowing and grounds maintenance of town buildings and property contract through December 1, 2019 at a cost of \$17,000. The Town entered into a two year cemetery maintenance contract through January 1, 2021 at annual costs of \$18,500 and \$19,000. The Town entered into a sixteen month mowing and trimming contract for athletic fields through November 30, 2019 at a cost of \$15,700. The town clerks office entered into a three year hosted services contract through August 31, 2022 with monthly payments of \$1,215 at annual costs of \$14,580. The Town entered into an open ended cleaning services contract for the senior center at a cost of \$867 per month and town hall at a cost of \$1,995 per month. The Town and the Board of Education entered into a one year agreement through June 30, 2020 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 \$2.0197 for a contract allocation of 97,500 gallons or \$196,921. Diesel fuel will be purchase at a rate of \$2.0281 for a contract allocation of 45,000 gallons or \$91,265. Gasoline will be purchased at a rate of \$1.7152 for a contract allocation of 12,000 gallons or \$20,582. If gallons purchased exceed 100% of the gallons allocated or are less then 98% of the gallons allocated, the contract provides options for the vendor for either selling additional gallons or billing the town for the unused and un-lifted volume.

Town of Lebanon, Connecticut
Notes to the basic financial statements
June 30, 2019

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.

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, 2019 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.

Note 19 - Recently issued accounting standards not yet effective

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 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.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*. The objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this statement are effective for the District'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 May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for the District's reporting period beginning July 1, 2021. The Town has not yet determined the impact that this statement might have on its financial statements.

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

	2019	2018	2017	2016	2015
Town's proportion of the net pension liability	<u>0.548217%</u>	<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>\$ 2,096,705</u>	<u>\$ 848,408</u>	<u>\$ 1,007,396</u>	<u>\$ 656,951</u>	<u>\$ 465,732</u>
Town's covered-employee payroll	<u>\$ 1,428,633</u>	<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 payroll	<u>146.76%</u>	<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>73.60%</u>	<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. The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 through June 30, 2017.

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	2.50%
Salary increases	3.50% to 10.00%, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation
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%
Mortality rates	Mortality rates for the period after retirement and for dependent beneficiaries, mortality rates were based on the RP-2014 Combined Mortality Table adjusted to 2006 and projected to 2015 with Scale MP-2017 and projected to 2022 with Scale BB for General Employees and the RP-2014 Blue Collar Mortality Table adjusted to 2006 and projected to 2015 with Scale MP-2017 and projected to 2022 with Scale BB for Police and Fire. For disabled retirees, the RP-2014 Disabled Mortality Table projected with Scale BB to 2020 was used. The static projection produces sufficient margin in the mortality rates to reflect future improvement in our judgement.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 167,721	\$ 163,855	\$ 151,426	\$ 142,281	\$ 147,937
Contributions in relation to the contractually required contribution	<u>-167,721</u>	<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>	<u>\$ -</u>
Town's covered-employee payroll	<u>\$ 1,428,633</u>	<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>11.74%</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)

	2019	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>	<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>26,276,501</u>	<u>23,087,407</u>	<u>24,357,391</u>	<u>21,730,557</u>	<u>20,085,545</u>
Total	<u>\$ 26,276,501</u>	<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>\$ 8,626,240</u>	<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 payroll	<u>0.00%</u>	<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>57.69%</u>	<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 to benefit terms. In 2016, rates of withdrawal, retirement and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five year period ended June 30, 2015.

Methods and assumptions used in calculations of actuarial determined contributions:

The 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)

	2019	2018
Town's proportion of the net OPEB liability	<u>0.00%</u>	<u>0.00%</u>
Town's proportionate share of the net OPEB liability	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the Town	<u>5,252,871</u>	<u>5,942,421</u>
Total	<u>\$ 5,252,871</u>	<u>\$ 5,942,421</u>
Town's covered-employee payroll	<u>\$ 8,626,240</u>	<u>\$ 7,317,885</u>
Town's proportion share of the net OPEB liability as a percentage of its covered-employee payroll	<u>0.00%</u>	<u>0.00%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>1.49%</u>	<u>1.79%</u>

Notes to schedule:

Changes in benefit terms and assumptions:

There were no changes in benefit terms. The long-term investment rate of return increased from 2.75% to 3.00%. The discount rate increased from 3.56% to 3.87% to reflect the change in the Municipal Bond Index rate. The healthcare cost trend rates for pre-medicare decreased from 7.25% decreasing to 5.00% by 2022 to 5.95% decreasing to 4.75% by 2025. The healthcare cost trend rates for medicare decreased from 7.25% decreasing to 5.00% by 2022 to 5.00% decreasing to 4.75% by 2028.

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	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	3.00%, net of OPEB plan investment expense, including inflation
Discount rate	3.87% as of June 30, 2018 which is equal to the published Bond Buyer Go 20-Bond Municipal Index rate as of the measurement date
Healthcare cost trend rates: Pre-medicare	5.95% for 2018, decreasing to an ultimate rate of 4.75% by 2025
Medicare	5.00% for 2018, decreasing to an ultimate rate of 4.75% by 2028
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 changes in total OPEB liability
Post-Retirement Healthcare Plan
Last ten fiscal years (for all years available)

	2019	2018
Total OPEB liability		
Service cost	\$ 72,682	\$ 72,176
Interest	123,385	115,194
Differences between expected and actual experience	-184,483	-17,430
Changes of benefit terms	-536,637	-
Changes of assumptions	74,460	-103,082
Benefit payments	-95,519	-98,183
Net change in total OPEB liability	-546,112	-31,325
Total OPEB liability - beginning	3,162,866	3,194,191
Total OPEB liability - ending	<u>\$ 2,616,754</u>	<u>\$ 3,162,866</u>
Covered payroll	<u>\$10,254,665</u>	<u>\$ 8,420,700</u>
Total OPEB liability as a percentage of covered payroll	<u>25.52%</u>	<u>37.56%</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, 2019

	Non-major special revenue funds	Non-major capital project fund	Non-major permanent funds	Totals
Assets				
Cash	\$ 545,425	\$ -	\$ 7,564	\$ 552,989
Investments	15,361	-	368,076	383,437
Receivables	85,677	-	-	85,677
Inventory and prepaids	12,704	-	-	12,704
Due from other funds	891,528	31,796	5,691	929,015
Total assets	<u>1,550,695</u>	<u>31,796</u>	<u>381,331</u>	<u>1,963,822</u>
Liabilities				
Accrued liabilities	101,778	-	-	101,778
Other liabilities	900	-	-	900
Due to other funds	334,711	-	1,667	336,378
Total liabilities	<u>437,389</u>	<u>-</u>	<u>1,667</u>	<u>439,056</u>
Fund balance				
Nonspendable	12,704	-	319,272	331,976
Restricted	463,355	-	61,740	525,095
Committed	452,864	31,796	-	484,660
Assigned	184,853	-	-	184,853
Unassigned	-470	-	-1,348	-1,818
Total fund balance	<u>1,113,306</u>	<u>31,796</u>	<u>379,664</u>	<u>1,524,766</u>
Total liabilities and fund balance	<u>\$ 1,550,695</u>	<u>\$ 31,796</u>	<u>\$ 381,331</u>	<u>\$ 1,963,822</u>
Revenues				
Intergovernmental revenues	\$ 1,426,393	\$ -	\$ -	\$ 1,426,393
Interest and investment earnings	3,741	-	36,434	40,175
Charges for services	250,018	-	-	250,018
Miscellaneous	182,558	-	-	182,558
Total revenues	<u>1,862,710</u>	<u>-</u>	<u>36,434</u>	<u>1,899,144</u>
Expenditures				
Salary and wages	910,371	-	-	910,371
Program operating costs	1,465,174	871	11,138	1,477,183
Capital expenditures	129,641	-	-	129,641
Total expenditures	<u>2,505,186</u>	<u>871</u>	<u>11,138</u>	<u>2,517,195</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-642,476</u>	<u>-871</u>	<u>25,296</u>	<u>-618,051</u>
Other financing sources (uses)				
Transfers in	568,981	-	-	568,981
Transfers out	-	-	-1,068	-1,068
Total other financing sources (uses)	<u>568,981</u>	<u>-</u>	<u>-1,068</u>	<u>567,913</u>
Net change in fund balance	<u>-73,495</u>	<u>-871</u>	<u>24,228</u>	<u>-50,138</u>
Fund balance - July 1	<u>1,186,801</u>	<u>32,667</u>	<u>355,436</u>	<u>1,574,904</u>
Fund balance - June 30	<u>\$ 1,113,306</u>	<u>\$ 31,796</u>	<u>\$ 379,664</u>	<u>\$ 1,524,766</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, 2019

	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	\$ -	\$ -	\$ 12,326	\$ 41,958	\$ -
Investments	-	-	-	-	-
Receivables	-	-	-	-	-
Inventory and prepaids	-	-	-	-	-
Due from other funds	185,609	3,234	13,510	-	69,980
Total assets	185,609	3,234	25,836	41,958	69,980
Liabilities					
Accrued liabilities	9,705	-	7,890	263	963
Other liabilities	900	-	-	-	-
Due to other funds	-	-	-	8,407	-
Total liabilities	10,605	-	7,890	8,670	963
Fund balance					
Nonspendable	-	-	-	-	-
Restricted	-	3,234	-	-	-
Committed	175,004	-	17,946	33,288	69,017
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balance	175,004	3,234	17,946	33,288	69,017
Total liabilities and fund balance	\$ 185,609	\$ 3,234	\$ 25,836	\$ 41,958	\$ 69,980
Revenues					
Intergovernmental revenues	\$ 1,072	\$ -	\$ -	\$ -	\$ -
Interest and investment earnings	-	-	4	979	-
Charges for services	-	-	42,140	-	2,400
Miscellaneous	9,372	-	-	204	-
Total revenues	10,444	-	42,144	1,183	2,400
Expenditures					
Salary and wages	252,151	-	43,505	8,099	-
Program operating costs	81,925	3,415	57,245	8,836	29,489
Capital expenditures	24,125	-	-	-	-
Total expenditures	358,201	3,415	100,750	16,935	29,489
Excess (deficiency) of revenues over (under) expenditures	-347,757	-3,415	-58,606	-15,752	-27,089
Other financing sources (uses)					
Transfers in	343,894	-	58,636	18,470	27,663
Transfers out	-	-	-	-	-
Total other financing sources (uses)	343,894	-	58,636	18,470	27,663
Net change in fund balance	-3,863	-3,415	30	2,718	574
Fund balance - July 1	178,867	6,649	17,916	30,570	68,443
Fund balance - June 30	\$ 175,004	\$ 3,234	\$ 17,946	\$ 33,288	\$ 69,017

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, 2019

	Town improvement program fund - 208	Senior vans program fund - 221	Lathrop senior vans donation fund - 231	Lebanon dog fund fund - 205	Trumbull donations fund - 218
Assets					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	3,072	-	-
Receivables	-	-	-	-	-
Inventory and prepaids	-	-	-	-	-
Due from other funds	113,762	53,939	314	8,880	254,871
Total assets	113,762	53,939	3,386	8,880	254,871
Liabilities					
Accrued liabilities	5,226	2,063	-	45	4,647
Other liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	5,226	2,063	-	45	4,647
Fund balance					
Nonspendable	-	-	-	-	-
Restricted	2,803	-	-	-	250,224
Committed	105,733	51,876	-	-	-
Assigned	-	-	3,386	8,835	-
Unassigned	-	-	-	-	-
Total fund balance	108,536	51,876	3,386	8,835	250,224
Total liabilities and fund balance	\$ 113,762	\$ 53,939	\$ 3,386	\$ 8,880	\$ 254,871
Revenues					
Intergovernmental revenues	\$ -	\$ 32,597	\$ -	\$ -	\$ -
Interest and investment earnings	-	-	308	-	-
Charges for services	-	3,056	-	2,623	-
Miscellaneous	-	-	-	-	57,290
Total revenues	-	35,653	308	2,623	57,290
Expenditures					
Salary and wages	-	66,521	-	-	-
Program operating costs	42,940	26,372	-	23,088	9,975
Capital expenditures	38,311	-	-	-	15,984
Total expenditures	81,251	92,893	-	23,088	25,959
Excess (deficiency) of revenues over (under) expenditures	-81,251	-57,240	308	-20,465	31,331
Other financing sources (uses)					
Transfers in	35,000	65,000	-	20,318	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	35,000	65,000	-	20,318	-
Net change in fund balance	-46,251	7,760	308	-147	31,331
Fund balance - July 1	154,787	44,116	3,078	8,982	218,893
Fund balance - June 30	\$ 108,536	\$ 51,876	\$ 3,386	\$ 8,835	\$ 250,224

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, 2019

	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	Unimproved town roads grant fund - 207
Assets					
Cash	\$ 47,654	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Receivables	25,787	-	-	-	-
Inventory and prepaids	11,204	-	-	-	-
Due from other funds	4,351	27,562	6,300	37,132	7,719
Total assets	88,996	27,562	6,300	37,132	7,719
Liabilities					
Accrued liabilities	50,877	-	-	-	-
Other liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	50,877	-	-	-	-
Fund balance					
Nonspendable	11,204	-	-	-	-
Restricted	-	27,562	6,300	37,132	7,719
Committed	-	-	-	-	-
Assigned	26,915	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balance	38,119	27,562	6,300	37,132	7,719
Total liabilities and fund balance	\$ 88,996	\$ 27,562	\$ 6,300	\$ 37,132	\$ 7,719
Revenues					
Intergovernmental revenues	\$ 163,932	\$ 4,500	\$ -	\$ -	\$ 38,198
Interest and investment earnings	20	-	-	-	-
Charges for services	187,570	2,866	1,220	2,883	-
Miscellaneous	4,351	-	-	-	-
Total revenues	355,873	7,366	1,220	2,883	38,198
Expenditures					
Salary and wages	-	-	-	-	-
Program operating costs	345,112	4,500	-	17,695	73,950
Capital expenditures	-	-	-	-	-
Total expenditures	345,112	4,500	-	17,695	73,950
Excess (deficiency) of revenues over (under) expenditures	10,761	2,866	1,220	-14,812	-35,752
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	10,761	2,866	1,220	-14,812	-35,752
Fund balance - July 1	27,358	24,696	5,080	51,944	43,471
Fund balance - June 30	\$ 38,119	\$ 27,562	\$ 6,300	\$ 37,132	\$ 7,719

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, 2019

	Agriculture viability grant account - 2217	Agriculture viability grant account - 2217	Fema storm grants fund - 228	Warm hearts donations program fund - 209	Lathrop senior center donation fund - 231
Assets					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	12,289
Receivables	34,051	13,779	-	-	-
Inventory and prepaids	-	-	-	-	-
Due from other funds	-	-	1,175	82,911	1,111
Total assets	34,051	13,779	1,175	82,911	13,400
Liabilities					
Accrued liabilities	-	-	-	-	-
Other liabilities	-	-	-	-	-
Due to other funds	34,051	13,779	-	-	-
Total liabilities	34,051	13,779	-	-	-
Fund balance					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	82,911	-
Committed	-	-	-	-	-
Assigned	-	-	1,175	-	13,400
Unassigned	-	-	-	-	-
Total fund balance	-	-	1,175	82,911	13,400
Total liabilities and fund balance	\$ 34,051	\$ 13,779	\$ 1,175	\$ 82,911	\$ 13,400
Revenues					
Intergovernmental revenues	\$ 27,051	\$ 13,779	\$ -	\$ -	\$ -
Interest and investment earnings	-	-	-	-	1,232
Charges for services	-	-	-	-	-
Miscellaneous	-	-	-	21,006	-
Total revenues	27,051	13,779	-	21,006	1,232
Expenditures					
Salary and wages	-	-	3,556	-	-
Program operating costs	2,431	13,779	21,170	11,145	-
Capital expenditures	24,620	-	8,827	-	-
Total expenditures	27,051	13,779	33,553	11,145	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-33,553	9,861	1,232
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	-	-	-33,553	9,861	1,232
Fund balance - July 1	-	-	34,728	73,050	12,168
Fund balance - June 30	\$ -	\$ -	\$ 1,175	\$ 82,911	\$ 13,400

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, 2019

	Miscellaneous donations fund - 230	Summer dance fest fund - 216	Cemetery lot sales fund - 203	Historic buildings fund - 201	Special ed excess costs grant fund - 001
Assets					
Cash	\$ -	\$ -	\$ 40,359	\$ 10,731	\$ -
Investments	-	-	-	-	-
Receivables	4,948	-	-	-	-
Inventory and prepaids	-	1,500	-	-	-
Due from other funds	1,395	17,773	-	-	-
Total assets	6,343	19,273	40,359	10,731	-
Liabilities					
Accrued liabilities	2,457	-	300	-	-
Other liabilities	-	-	-	-	-
Due to other funds	2,926	-	31,503	-	-
Total liabilities	5,383	-	31,803	-	-
Fund balance					
Nonspendable	-	1,500	-	-	-
Restricted	1,395	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	17,773	8,556	10,731	-
Unassigned	-435	-	-	-	-
Total fund balance	960	19,273	8,556	10,731	-
Total liabilities and fund balance	\$ 6,343	\$ 19,273	\$ 40,359	\$ 10,731	\$ -
Revenues					
Intergovernmental revenues	\$ 4,948	\$ -	\$ -	\$ -	\$ 464,742
Interest and investment earnings	-	-	947	251	-
Charges for services	4,010	-	1,250	-	-
Miscellaneous	-	11,259	-	-	-
Total revenues	8,958	11,259	2,197	251	464,742
Expenditures					
Salary and wages	-	-	-	-	-
Program operating costs	11,141	11,065	6,808	-	464,742
Capital expenditures	-	-	-	-	-
Total expenditures	11,141	11,065	6,808	-	464,742
Excess (deficiency) of revenues over (under) expenditures	-2,183	194	-4,611	251	-
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	-2,183	194	-4,611	251	-
Fund balance - July 1	3,143	19,079	13,167	10,480	-
Fund balance - June 30	\$ 960	\$ 19,273	\$ 8,556	\$ 10,731	\$ -

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, 2019

	School educational grants fund - 002	LES activity accounts fund - 900	LMS activity accounts fund - 900	LHS activity accounts fund - 900	Totals
Assets					
Cash	\$ 298,315	\$ 21,096	\$ 41,275	\$ 31,711	\$ 545,425
Investments	-	-	-	-	15,361
Receivables	7,112	-	-	-	85,677
Inventory and prepaids	-	-	-	-	12,704
Due from other funds	-	-	-	-	891,528
Total assets	305,427	21,096	41,275	31,711	1,550,695
Liabilities					
Accrued liabilities	17,342	-	-	-	101,778
Other liabilities	-	-	-	-	900
Due to other funds	244,045	-	-	-	334,711
Total liabilities	261,387	-	-	-	437,389
Fund balance					
Nonspendable	-	-	-	-	12,704
Restricted	44,075	-	-	-	463,355
Committed	-	-	-	-	452,864
Assigned	-	21,096	41,275	31,711	184,853
Unassigned	-35	-	-	-	-470
Total fund balance	44,040	21,096	41,275	31,711	1,113,306
Total liabilities and fund balance	\$ 305,427	\$ 21,096	\$ 41,275	\$ 31,711	\$ 1,550,695
Revenues					
Intergovernmental revenues	\$ 675,574	\$ -	\$ -	\$ -	\$ 1,426,393
Interest and investment earnings	-	-	-	-	3,741
Charges for services	-	-	-	-	250,018
Miscellaneous	39,650	9,717	8,590	21,119	182,558
Total revenues	715,224	9,717	8,590	21,119	1,862,710
Expenditures					
Salary and wages	536,539	-	-	-	910,371
Program operating costs	152,988	7,838	6,075	31,450	1,465,174
Capital expenditures	17,774	-	-	-	129,641
Total expenditures	707,301	7,838	6,075	31,450	2,505,186
Excess (deficiency) of revenues over (under) expenditures	7,923	1,879	2,515	-10,331	-642,476
Other financing sources (uses)					
Transfers in	-	-	-	-	568,981
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	568,981
Net change in fund balance	7,923	1,879	2,515	-10,331	-73,495
Fund balance - July 1	36,117	19,217	38,760	42,042	1,186,801
Fund balance - June 30	\$ 44,040	\$ 21,096	\$ 41,275	\$ 31,711	\$ 1,113,306

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, 2019

	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	231,571	50,187	12,389	11,305	10,957	8,226
Receivables	-	-	-	-	-	-
Inventory and prepaids	-	-	-	-	-	-
Due from other funds	750	163	-	39	-	-
Total assets	232,321	50,350	12,389	11,344	10,957	8,226
Liabilities						
Accrued liabilities	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Due to other funds	-	-	546	-	1,121	-
Total liabilities	-	-	546	-	1,121	-
Fund balance						
Nonspendable	197,045	42,705	10,541	10,000	8,360	7,000
Restricted	35,276	7,645	1,302	1,344	1,476	1,226
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balance	232,321	50,350	11,843	11,344	9,836	8,226
Total liabilities and fund balance	\$ 232,321	\$ 50,350	\$ 12,389	\$ 11,344	\$ 10,957	\$ 8,226
Revenues						
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and investment earnings	23,200	5,029	1,242	1,150	1,098	823
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	23,200	5,029	1,242	1,150	1,098	823
Expenditures						
Salary and wages	-	-	-	-	-	-
Program operating costs	7,510	1,628	-	500	-	-
Capital expenditures	-	-	-	-	-	-
Total expenditures	7,510	1,628	-	500	-	-
Excess (deficiency) of revenues over (under) expenditures	15,690	3,401	1,242	650	1,098	823
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-403	-	-356	-267
Total other financing sources (uses)	-	-	-403	-	-356	-267
Net change in fund balance	15,690	3,401	839	650	742	556
Fund balance - July 1	216,631	46,949	11,004	10,694	9,094	7,670
Fund balance - June 30	\$ 232,321	\$ 50,350	\$ 11,843	\$ 11,344	\$ 9,836	\$ 8,226

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, 2019

	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	-	7,521	6,206	6,129	3,929	980
Receivables	-	-	-	-	-	-
Inventory and prepaids	-	-	-	-	-	-
Due from other funds	-	1,245	25	-	18	10
Total assets	6,564	8,766	6,231	6,129	3,947	990
Liabilities						
Accrued liabilities	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-
Fund balance						
Nonspendable	6,564	6,400	6,050	5,000	4,285	2,000
Restricted	-	2,366	181	1,129	-	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-338	-1,010
Total fund balance	6,564	8,766	6,231	6,129	3,947	990
Total liabilities and fund balance	\$ 6,564	\$ 8,766	\$ 6,231	\$ 6,129	\$ 3,947	\$ 990
Revenues						
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and investment earnings	3	753	658	12	439	155
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	3	753	658	12	439	155
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	753	158	12	-61	-345
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-3	-	-	-	-	-
Total other financing sources (uses)	-3	-	-	-	-	-
Net change in fund balance	-	753	158	12	-61	-345
Fund balance - July 1	6,564	8,013	6,073	6,117	4,008	1,335
Fund balance - June 30	\$ 6,564	\$ 8,766	\$ 6,231	\$ 6,129	\$ 3,947	\$ 990

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, 2019

	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	-	-	1,175	17,501	368,076
Receivables	-	-	-	-	-
Inventory and prepaids	-	-	-	-	-
Due from other funds	1,937	-	-	1,504	5,691
Total assets	1,937	1,000	1,175	19,005	381,331
Liabilities					
Accrued liabilities	-	-	-	-	-
Other liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	1,667
Total liabilities	-	-	-	-	1,667
Fund balance					
Nonspendable	1,937	1,000	1,000	9,385	319,272
Restricted	-	-	175	9,620	61,740
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-1,348
Total fund balance	1,937	1,000	1,175	19,005	379,664
Total liabilities and fund balance	\$ 1,937	\$ 1,000	\$ 1,175	\$ 19,005	\$ 381,331
Revenues					
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and investment earnings	-	1	117	1,754	36,434
Charges for services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	-	1	117	1,754	36,434
Expenditures					
Salary and wages	-	-	-	-	-
Program operating costs	-	-	-	-	11,138
Capital expenditures	-	-	-	-	-
Total expenditures	-	-	-	-	11,138
Excess (deficiency) of revenues over (under) expenditures	-	1	117	1,754	25,296
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-1	-38	-	-1,068
Total other financing sources (uses)	-	-1	-38	-	-1,068
Net change in fund balance	-	-	79	1,754	24,228
Fund balance - July 1	1,937	1,000	1,096	17,251	355,436
Fund balance - June 30	\$ 1,937	\$ 1,000	\$ 1,175	\$ 19,005	\$ 379,664

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, 2019

	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	47,343	9,435	6,564	3,006	1,811
Receivables	-	-	-	-	-
Inventory and prepaids	-	-	-	-	-
Due from other funds	-	1,052	-	411	-
Total assets	47,343	10,487	6,564	3,417	1,811
Liabilities					
Accrued liabilities	-	-	-	-	-
Other liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	23
Total liabilities	-	-	-	-	23
Net position					
Restricted					
Expendable	47,343	10,487	6,564	3,417	1,788
Non-expendable	-	-	-	-	-
Unrestricted	-	-	-	-	-
Total net position	47,343	10,487	6,564	3,417	1,788
Total liabilities and net position	\$ 47,343	\$ 10,487	\$ 6,564	\$ 3,417	\$ 1,811
Additions:					
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and investment earnings	120	945	17	301	234
Charges for services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total additions	120	945	17	301	234
Deductions:					
Salary and wages	-	-	-	-	-
Program operating costs	1,030	-	360	-	500
Capital expenditures	-	-	-	-	-
Total deductions	1,030	-	360	-	500
Transfers					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total transfers	-	-	-	-	-
Change in net position	-910	945	-343	301	-266
Net position - July 1	48,253	9,542	6,907	3,116	2,054
Net position - June 30	\$ 47,343	\$ 10,487	\$ 6,564	\$ 3,417	\$ 1,788

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, 2019

	Town school prizes fund - 231	Richard Woyasz scholarship fund - 241	Robert L. Hanover scholarship fund - 241	Totals
Assets				
Cash	\$ -	\$ -	\$ -	\$ -
Investments	2,103	723	73	71,058
Receivables	-	-	-	-
Inventory and prepaids	-	-	-	-
Due from other funds	234	-	-	1,697
Total assets	<u>2,337</u>	<u>723</u>	<u>73</u>	<u>72,755</u>
Liabilities				
Accrued liabilities	-	-	-	-
Other liabilities	-	-	-	-
Due to other funds	-	-	-	23
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>23</u>
Net position				
Restricted				
Expendable	2,337	723	73	72,732
Non-expendable	-	-	-	-
Unrestricted	-	-	-	-
Total net position	<u>2,337</u>	<u>723</u>	<u>73</u>	<u>72,732</u>
Total liabilities and net position	<u>\$ 2,337</u>	<u>\$ 723</u>	<u>\$ 73</u>	<u>\$ 72,755</u>
Additions:				
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -
Interest and investment earnings	211	4	-	1,832
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	<u>211</u>	<u>4</u>	<u>-</u>	<u>1,832</u>
Deductions:				
Salary and wages	-	-	-	-
Program operating costs	-	206	-	2,096
Capital expenditures	-	-	-	-
Total deductions	<u>-</u>	<u>206</u>	<u>-</u>	<u>2,096</u>
Transfers				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	211	-202	-	-264
Net position - July 1	<u>2,126</u>	<u>925</u>	<u>73</u>	<u>72,996</u>
Net position - June 30	<u>\$ 2,337</u>	<u>\$ 723</u>	<u>\$ 73</u>	<u>\$ 72,732</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, 2019

	Jonathan Trumbull Jr. library fund fund - 231	Adams community center fund fund - 231	Jonathan Trumbull Jr. house fund fund - 231	Totals
Assets				
Cash	\$ -	\$ -	\$ -	\$ -
Investments	1,619,512	847,999	568,249	3,035,760
Receivables	-	-	-	-
Inventory and prepaids	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>1,619,512</u>	<u>847,999</u>	<u>568,249</u>	<u>3,035,760</u>
Liabilities				
Accrued liabilities	-	-	-	-
Other liabilities	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance				
Nonspendable	-	-	-	-
Restricted	1,619,512	847,999	568,249	3,035,760
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balance	<u>1,619,512</u>	<u>847,999</u>	<u>568,249</u>	<u>3,035,760</u>
Total liabilities and fund balance	<u>\$ 1,619,512</u>	<u>\$ 847,999</u>	<u>\$ 568,249</u>	<u>\$ 3,035,760</u>
Revenues				
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -
Interest and investment earnings	162,254	84,959	56,932	304,145
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>162,254</u>	<u>84,959</u>	<u>56,932</u>	<u>304,145</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>162,254</u>	<u>84,959</u>	<u>56,932</u>	<u>304,145</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-52,638	-27,563	-18,470	-98,671
Total other financing sources (uses)	<u>-52,638</u>	<u>-27,563</u>	<u>-18,470</u>	<u>-98,671</u>
Net change in fund balance	109,616	57,396	38,462	205,474
Fund balance - July 1	<u>1,509,896</u>	<u>790,603</u>	<u>529,787</u>	<u>2,830,286</u>
Fund balance - June 30	<u>\$ 1,619,512</u>	<u>\$ 847,999</u>	<u>\$ 568,249</u>	<u>\$ 3,035,760</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, 2019

	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	-	-	2,614,424	-	-	2,614,424
Receivables	78,522	-	-	-	-	78,522
Inventory and prepaids	-	-	1,350	-	-	1,350
Due from other funds	980,727	35,447	-	245,692	37,437	1,299,303
Total assets	1,059,249	35,447	2,615,774	245,692	37,437	3,993,599
Liabilities						
Accrued liabilities	44,268	-	26,435	-	3,750	74,453
Other liabilities	-	-	2,600,000	-	-	2,600,000
Due to other funds	-	-	359,315	-	-	359,315
Total liabilities	44,268	-	2,985,750	-	3,750	3,033,768
Fund balance						
Nonspendable	-	-	1,350	-	-	1,350
Restricted	-	-	-	-	-	-
Committed	1,043,231	35,447	-	245,692	33,687	1,358,057
Assigned	-	-	-	-	-	-
Unassigned	-28,250	-	-371,326	-	-	-399,576
Total fund balance	1,014,981	35,447	-369,976	245,692	33,687	959,831
Total liabilities and fund balance	\$ 1,059,249	\$ 35,447	\$ 2,615,774	\$ 245,692	\$ 37,437	\$ 3,993,599
Revenues						
Intergovernmental revenues	\$ 77,422	\$ -	\$ 83,543	\$ -	\$ -	\$ 160,965
Interest and investment earnings	-	-	9,338	-	-	9,338
Miscellaneous	7,951	-	-	-	-	7,951
Total revenues	85,373	-	92,881	-	-	178,254
Expenditures						
Program operating costs	611,692	-	-	637	94,993	707,322
Capital expenditures	779,230	11,765	527,696	883	-	1,319,574
Non-cash capital lease purchase	495,000	-	-	-	-	495,000
Total expenditures	1,885,922	11,765	527,696	1,520	94,993	2,521,896
Excess (deficiency) of revenues over (under) expenditures	-1,800,549	-11,765	-434,815	-1,520	-94,993	-2,343,642
Other financing sources (uses)						
Non-cash capital lease proceeds	495,000	-	-	-	-	495,000
Transfers in	1,249,583	-	260,000	-	35,000	1,544,583
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	1,744,583	-	260,000	-	35,000	2,039,583
Net change in fund balance	-55,966	-11,765	-174,815	-1,520	-59,993	-304,059
Fund balance - July 1	1,070,947	47,212	-195,161	247,212	93,680	1,263,890
Fund balance - June 30	\$ 1,014,981	\$ 35,447	\$ -369,976	\$ 245,692	\$ 33,687	\$ 959,831

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, 2019

	Fund balance 07/01/18	Annual appropriation	Revenues	Expenditures	Transfers	Fund balance 06/30/19
General government:						
Revaluation	\$ 1,253	\$ 42,250	\$ -	\$ -43,174	\$ -	\$ 329
Public safety:						
Police car	10,122	-	-	-4,930	-	5,192
Fire apparatus reserve	18,599	52,629	-	-52,615	-	18,613
Emergency services reserve	31,903	-	6,251	-	-	38,154
Lvfd 10,000 gallon water tank	20,000	-	-	-	-	20,000
Fire truck lease purchase	-	250,000	-	-278,250	-	-28,250
Fire safety passage doors	2,000	-	-	-	-	2,000
	82,624	302,629	6,251	-335,795	-	55,709
Public works:						
Paving	422,502	460,000	-	-380,596	-	501,906
Oliver road bridge repairs	-	60,000	-	-56,325	-	3,675
Truck leasing	25,894	-	-	-	-	25,894
Truck leasing	6,049	26,977	-	-26,976	-	6,050
Public works building comm.	55,002	-	-	-33,740	-	21,262
Garage site assessment	128	-	-	-128	-	-
CAT 420F2 backhoe	1,197	32,190	-	-32,191	-	1,196
Two Ford F-350s	307	-	-	-	-	307
Town tree maintenance	35,000	-	-	-	-	35,000
2018 highway truck and plow	8,827	-	-	-	-	8,827
2019 highway truck and plow	3,360	-	-	-	-	3,360
2018 highway pickup and plow	4,019	-	-	-105	-	3,914
Wood and brush chipper	597	-	-	-	-	597
Fema rain storm repairs	-	50,537	77,422	-127,959	-	-
Cemetery repairs	7,970	-	-	-	-	7,970
Cemetery road development	19,971	-	-	-12,500	-	7,471
Communication infrastructure	5,200	-	1,700	-	-	6,900
	596,023	629,704	79,122	-670,520	-	634,329
Health & social:						
Soccer field design	4,210	-	-	-4,210	-	-
Tyler field well	10,000	-	-	-	-	10,000
Library renovations	1,340	-	-	-	-	1,340
	15,550	-	-	-4,210	-	11,340
Community preservation:						
Open space	284,601	75,000	-	-79,831	-	279,770
Education:						
School improvement plan	31,104	90,000	-	-121,104	-	-
Technology	18,753	80,000	-	-80,628	-	18,125
Athletic facilities	41,039	30,000	-	-55,660	-	15,379
	90,896	200,000	-	-257,392	-	33,504
Sub-totals:	1,070,947	1,249,583	85,373	-1,390,922	-	1,014,981
Non-cash capital lease proceeds	-	495,000	-	-	-	495,000
Non-cash capital lease purchase	-	-	-	-495,000	-	-495,000
Totals:	<u>\$ 1,070,947</u>	<u>\$ 1,744,583</u>	<u>\$ 85,373</u>	<u>\$ -1,885,922</u>	<u>\$ -</u>	<u>\$ 1,014,981</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, 2019

	Small cities grant FY 2017 fund - 242	Small cities program income fund - 219	Totals
Assets			
Cash	\$ -	\$ 47,431	\$ 47,431
Investments	-	-	-
Receivables	-	1,013,622	1,013,622
Inventory and prepaids	-	-	-
Due from other funds	-	-	-
Total assets	-	1,061,053	1,061,053
Liabilities			
Accrued liabilities	-	-	-
Other liabilities	-	-	-
Due to other funds	-	-	-
Total liabilities	-	-	-
Fund balance			
Nonspendable	-	-	-
Restricted	-	1,061,053	1,061,053
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total fund balance	-	1,061,053	1,061,053
Total liabilities and fund balance	\$ -	\$ 1,061,053	\$ 1,061,053
Revenues			
Intergovernmental revenues	\$ -	\$ -	\$ -
Interest and investment earnings	-	-	-
Charges for services	-	-	-
Miscellaneous	-	4,010	4,010
Total revenues	-	4,010	4,010
Expenditures			
Salary and wages	-	-	-
Program operating costs	-	20,213	20,213
Capital expenditures	-	-	-
Total expenditures	-	20,213	20,213
Excess (deficiency) of revenues over (under) expenditures	-	-16,203	-16,203
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balance	-	-16,203	-16,203
Fund balance - July 1	-	1,077,256	1,077,256
Fund balance - June 30	\$ -	\$ 1,061,053	\$ 1,061,053

Town of Lebanon, Connecticut
Schedule of property taxes levied,
collections, and outstanding balances
For the year ended June 30, 2019

Grand list	Uncollected taxes 06/30/18	Current year taxes levied	Lawful corrections		Net taxes collectable
			Additions	Deductions	
2017	\$ -	\$ 19,077,928	\$ 24,665	\$ -88,159	\$ 19,014,434
2016	457,884	-	1,584	-7,077	452,391
2015	112,020	-	205	-848	111,377
2014	20,229	-	-	-	20,229
2013	6,577	-	-	-	6,577
2012	2,455	-	-	-	2,455
2011	1,662	-	-	-	1,662
2010	356	-	-	-	356
2009	527	-	-	-	527
2008	507	-	-	-	507
2007	382	-	-	-	382
2006	616	-	-	-	616
2005	286	-	-	-	286
2004	273	-	-	-	273
2003	263	-	-	-	263
2002	110	-	-	-	110
	<u>\$ 604,147</u>	<u>\$ 19,077,928</u>	<u>\$ 26,454</u>	<u>\$ -96,084</u>	<u>\$ 19,612,445</u>

Town of Lebanon, Connecticut
Schedule of property taxes levied,
collections, and outstanding balances
For the year ended June 30, 2019

Grand list	Collections during the fiscal year			Total	Adjustments	Uncollected taxes 06/30/19
	Taxes	Interest	Lien fees			
2017	\$ 18,592,565	\$ 70,589	\$ 456	\$ 18,663,610	\$ -	\$ 421,869
2016	295,273	61,703	3,414	360,390	-	157,118
2015	37,870	16,531	628	55,029	-39,928	33,579
2014	4,514	1,860	120	6,494	-	15,715
2013	2,046	183	48	2,277	-	4,531
2012	879	115	24	1,018	-	1,576
2011	113	134	24	271	-	1,549
2010	109	149	24	282	-	247
2009	106	164	24	294	-	421
2008	102	176	24	302	-	405
2007	90	176	24	290	-	292
2006	89	190	24	303	-	527
2005	84	194	24	302	-	202
2004	80	200	24	304	-	193
2003	263	-	-	263	-	-
2002	110	-	-	110	-	-
	<u>\$ 18,934,293</u>	<u>\$ 152,364</u>	<u>\$ 4,882</u>	<u>\$ 19,091,539</u>	<u>\$ -39,928</u>	<u>\$ 638,224</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 outstanding asset account for each tax year outstanding. As a result, the total collections balance shown above will not tie out to the property tax revenue balance on Statement D and Statement E. However, the following is a reconciliation of selected balances from this schedule to the amount shown on Statement D and Statement E. In addition, the uncollected tax balances shown above may have been netted against credit balance accounts resulting from overpayments not yet refunded when present. A breakdown of these two amounts can be found in the posted rate book when present. The above shown adjustments column reports current fiscal year transfers to suspense which were approved during the current fiscal year.

\$ 19,077,928	Current year taxes levied from page 78
152,364	Tax interest collections during the current fiscal year from above
4,882	Tax lien fee collections during the current fiscal year from above
15,265	Suspense collections during the current fiscal year
-39,928	Account balance adjustments as items transferred to suspense and written off
-69,630	The net lawful corrections made during the current fiscal year from page 78
-42,407	The unearned tax revenue adjustment made as described in item number 2 on page 17
<u>\$ 19,098,474</u>	Property taxes revenues per Statement D and Statement E

- B - Operation of Law - No tax can be collected 15 years after the original due date.
- C - Taxes transferred (to) and from suspense. Though tax balances are transferred from active status to suspense status they remain collectible. During the current fiscal year \$8,186 was collected on principle suspense tax balances owed, \$7,079 of interest and lien fees were collected on principle suspense tax balances owed. In addition, \$0 worth of lawful correction deductions were made to a suspense tax year.

Town of Lebanon, Connecticut
Schedule of debt limitation
Connecticut General Statutes, Section 7-374 (b)
For the year ended June 30, 2019

Total tax collections (including interest and lien fees) for the current fiscal year.	\$ 19,091,539
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>\$ 19,091,539</u></u>

Debt limitation:	General purposes	Schools	Sewers	Urban renewal	Pension deficit	Total Debt
2 1/4 times base	\$ 42,955,963	\$ -	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	85,911,926	-	-	-	-
3 3/4 times base	-	-	71,593,271	-	-	-
3 1/4 times base	-	-	-	62,047,502	-	-
3 times base	-	-	-	-	57,274,617	-
7 times base	-	-	-	-	-	133,640,773
Total debt limitation	<u>42,955,963</u>	<u>85,911,926</u>	<u>71,593,271</u>	<u>62,047,502</u>	<u>57,274,617</u>	<u>133,640,773</u>

Indebtedness:

General obligation bonds:						
2005 issue	182,400	577,600	-	-	-	760,000
2013 issue	-	-	4,043,516	-	-	4,043,516
Notes payable	-	-	-	-	-	-
Capital leases payable	470,082	-	-	-	-	470,082
Authorized but unissued debt	<u>2,403,220</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,403,220</u>
Total indebtedness	<u>3,055,702</u>	<u>577,600</u>	<u>4,043,516</u>	<u>-</u>	<u>-</u>	<u>7,676,818</u>
Debt limitation in excess of outstanding authorized debt	<u>\$ 39,900,261</u>	<u>\$ 85,334,326</u>	<u>\$ 67,549,755</u>	<u>\$ 62,047,502</u>	<u>\$ 57,274,617</u>	<u>\$ 125,963,955</u>

The general purpose authorized but unissued debt amount shown above relates to the town bridge improvement project which was approved to be bonded in the amount of \$4,240,000. General fund appropriations in the amount of \$1,551,054 and state revenue received in the amount of \$285,726 have been applied to the project and thus reduced the approved amount to be bonded down to an amount of \$2,403,220.

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, 2019, 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 January 10, 2020.

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 2019-01 through 2019-03.

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
January 10, 2020

Town of Lebanon, Connecticut
Schedule of findings and questioned costs
June 30, 2019

2019-01 - Account reconciliations and reviews

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 and that revenue and expenditure accounts were being reviewed to determine if any transactions had been mis-posted and therefor needed to be corrected or more specifically that these reconciliations and reviews 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 that all revenue and expenditure accounts are being reviewed and more importantly that these reconciliations and reviews are 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. However, the bank account reconciliations for one cash account that were prepared included several material reconciling items that went uncorrected for the majority of the fiscal year which resulted in material adjustments being necessary to correct the fiscal year end balance. In addition, 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 account, the due to due from school grants account, the prepaid fuel account, the school accounts payable account, the tax refunds payable account, the deferred revenue property taxes account and the tax clearing account needed to be researched with a number of material adjustments being necessary in order to match the ending balances to adequate supporting documentation. In addition, a number of revenue and expenditure account mis-postings were found which needed to be adjusted.

Effect and cause:

Without account reconciliations being prepared and documented for all non-cash asset and liability accounts as well as periodic documented reviews of the transactions recorded in the revenue and expenditure accounts, it is difficult to have an accurate financial picture of the Town during the fiscal year. Without an accurate financial picture there can be no reasonable assurance present that the Town's specific objectives are being achieved or that its' assets are being safeguarded. I was unable to determine the specific reason that certain material non-cash asset and liability accounts either went unreconciled or that the reconciliations were not adequately documented or why any revenue and expenditure reviews that may have occurred were 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 all revenue and expenditure accounts are being reviewed to determine if any transactions have been mis-posted and therefore need to be corrected and that these reconciliations and reviews are being adequately documented at least on a semi-annual basis if not a quarterly basis. We also recommend that reconciling items being included on account reconciliations are properly adjusted on the trial balance in a timely manner to ensure that the account balances being reflected on the trial balance are as accurate as possible at any point during the fiscal year.

Views of responsible officials and planned corrective actions:

We have discussed this finding with our auditor and we do agree with his recommendations as described above. We plan to incorporate the above recommendations through the exact account reconciliation and review documentation as well as the frequency of these reconciliations and reviews has not yet been determined.

Town of Lebanon, Connecticut
Schedule of findings and questioned costs (continued)
June 30, 2019

2019-02 - 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 two of the locations tested to ensure that only invoices containing the initials or signature of the individual approving the expenditure were being processed. These two locations did utilize an expenditure approval cover sheet which did include approving initials or signatures though there was no way to determine that the actual invoices had been reviewed by the individuals approving the cover sheets. In addition, it was determined at the third 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 readily available to the individual processing the invoices for payment. At this third location it was also determined that the individual approving one of the invoices tested 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:

Twenty-three of the thirty invoices that were reviewed at the first location did not contain any initials or signature of an approving individual on the actual invoice. Six of the twelve invoices that were reviewed at the second location did not contain any initials or signature of an approving individual on the actual invoice. Four of the five invoices that were reviewed at the third location were approved using the above mentioned signature stamp and one of the two reimbursement invoices 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 on the actual invoices. 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 and cause:

Without the initials or signature of the individual approving the payment of invoices actually being included on the invoice as well as a signature stamp outside of the control or readily accessible to 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. 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, 2019

2019-03 - 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 69. 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 (\$1,348) 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 may 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 (\$1,348) 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

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

Board of Finance
Board of Selectmen
Town of Lebanon, Connecticut

Report on Compliance for Each Major State Program

We have audited the Town of Lebanon, Connecticut's compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the Town of Lebanon, Connecticut's major state programs for the year ended June 30, 2019. 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, 2019.

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, 2019, 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 January 10, 2020, 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
January 10, 2020

Town of Lebanon, Connecticut
Schedule of expenditures of state financial assistance
For the year ended June 30, 2019

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	\$ 14,807
Disabled program	11000-OPM20600-17011	651
Property tax relief for veterans	11000-OPM20600-17024	4,047
Local capital improvement	12050-OPM20600-40254	83,543
Municipal purposes and projects	12052-OPM20600-43587	30,427
<u>Department of Education:</u>		
Talent development	11000-SDE64370-12552	1,818
Child nutrition program state match	11000-SDE64370-16211	3,582
Healthy food initiative	11000-SDE64370-16212	6,825
Vocational Agriculture	11000-SDE64370-17017	327,697
Adult education	11000-SDE64370-17030	7,934
School breakfast program	11000-SDE64370-17046	8,694
<u>Office of Early Childhood:</u>		
Early care and education	11000-OEC64845-16274	113,400
School readiness quality enhancement	11000-OEC64845-16158	3,881
<u>Connecticut State Library:</u>		
Connecticard payments	11000-CSL66051-17010	1,072
Historic documents preservation grant	12060-CSL66094-35150	4,500
<u>Department of Transportation:</u>		
Bus operations	12001-DOT57931-12175	32,597
Town aid road grants - Municipal	12052-DOT57131-43455	177,032
Town aid road grants - STO	13033-DOT57131-43459	177,032
<u>Department of Agriculture:</u>		
Agricultural viability	12060-DAG42710-90456	45,779
Farmland preservation	12060-DAG42720-90460	20
<u>Other Departments and miscellaneous awards:</u>		
Non-budgeted operating appropriations	34001-JUD95162-40001	1,690
FAD - Temporary holding account	34003-DAS23920-42350	781
Solid waste management	11000-DEP43970-12488	65
Other expenses	11000-DAS23501-10020	30
Other expenses	11000-DRS16410-10020	60
Other expenses	11000-DSS60439-10020	30
Total State Financial Assistance before exempt programs		<u>\$ 1,047,994</u>

Town of Lebanon, Connecticut
Schedule of expenditures of state financial assistance (continued)
For the year ended June 30, 2019

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	\$ 4,852,205
Special education excess costs	11000-SDE64370-17047	464,742
<u>Office of Policy and Management:</u>		
Mashantucket Pequot Grant	12009-OPM20600-17005	13,139
Municipal stabilization grant	11000-OPM20600-17104	162,740
Total exempt programs		5,492,826
Total expenditures of State Financial Assistance		\$ 6,540,820

Town of Lebanon, Connecticut
Notes to Schedule of expenditures of state financial assistance
For the year ended June 30, 2019

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, 2019. 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, 2019

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 \$1,047,994, a Type A program shall be considered a non-exempt state program for which the amount of state financial assistance expended under the program for the audit period equals or exceeds \$200,000. The Town of Lebanon has one Type A program for the current fiscal year based on the \$200,000 dollar threshold and therefore all of its remaining programs would be considered Type B programs. The Town has seven 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 one Type A program was determined to be high-risk and therefore was audited as a major program. Four of the seven Type B programs of the Town for which a risk assessment was required were determined to be high-risk and therefore were audited as major programs. The total non-exempt state financial assistance expended by the Town for the current audit period was \$1,047,994. The programs tested as major and shown below represent approximately 84% of the total non-exempt state financial assistance expended.

State grantor and program	State grant program Core-CT number	Expenditures
Vocational Agriculture	11000-SDE64370-17017	\$ 327,697
Early care and education	11000-OEC64845-16274	113,400
Town aid road grants - Municipal	12052-DOT57131-43455	177,032
Town aid road grants - STO	13033-DOT57131-43459	177,032
Local capital improvement	12050-OPM20600-40254	83,543
		<u>\$ 878,704</u>

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

Town of Lebanon, Connecticut
Schedule of findings and questioned costs (continued)
For the year ended June 30, 2019

II. Financial Statement Findings

- We issued our report, dated January 10, 2020, 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 2019-01 through 2019-03 starting on page 83. 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. 2018-01

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 - This finding was not corrected and is included as current fiscal year finding 2019-01.

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

Finding No. 2018-02

Condition - There did not appear to be an adequate system of internal controls in place relating to student activity invoices tested to ensure that only invoices containing the initials or signature of the individual approving the expenditure were being processed.

Current Status - This finding was not corrected and is included as current fiscal year finding 2019-02.

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

Finding No. 2018-03

Condition - The principal balance within two of these town permanent fund trusts were overspent 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.

Current Status - This finding was not corrected and is included as current fiscal year finding 2019-03.

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

- 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.