

Federal Compliance Audit

Town of Lisbon, Maine

June 30, 2018



Proven Expertise and Integrity



TOWN OF LISBON, MAINE

Diane Barnes, Town Manager

Lydia Colston, CPA, Finance Director

November 6, 2018

To the Citizens of the Town of Lisbon

The comprehensive annual financial report of the Town of Lisbon, Maine for the fiscal year ended June 30, 2018, is hereby submitted. The Town is required to issue annually a report on its financial position and activity presented in conformance with accounting principles generally accepted in the United States of America (GAAP) and are audited by a firm of licensed certified public accountants in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States by an independent firm of certified public accountants after the close of the fiscal year.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Town of Lisbon, Maine.

This report consists of management's representations concerning the financial operation and condition of the Town. Responsibility for both the reliability of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Town. To provide a reasonable basis for making these representations, management of the Town has established an internal control framework that is designed to protect the Town's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town's financial statements in conformity with GAAP. The concept of reasonable assurance recognizes that (1) the cost of control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits require estimates and judgments by management. To the best of our knowledge and belief, this financial report is complete and reliable in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds of the Town of Lisbon and all disclosures deemed necessary to enable the reader to gain an understanding of the Town's financial activities have been included.

The Town's financial statements have been audited by RHR Smith & Company, CPAs, a firm of licensed certified public accountants, as required by Title 30A Subsection 5824 and Title 20A Chapter 221 Section 6051. The goal of the independent audit is to provide reasonable assurance that the financial statements of the Town of Lisbon for the fiscal

year ended June 30, 2018 are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Town of Lisbon's financial statements for the fiscal year ended June 30, 2018 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

As a recipient of federal, state, and county financial assistance, the Town is subject to annual the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), including the schedule of expenditures of federal awards, findings and questioned costs, and auditor's reports on the internal control and compliance with applicable laws and regulations are included in the compliance section.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Town of Lisbon

The Town is ideally located approximately 6 miles east of downtown Lewiston and 6 miles west of the Mid-coast area, and only 39 minutes or 27 miles north of Portland. The Town has a land area of approximately twenty-three square miles and a population of 8,886 based on 2017 estimates. Founded in 1799, Abenaki Indians called the falls Anmecangin, meaning "much fish". The area was once part of Little River Plantation, a portion of which was incorporated in 1799 as Thompsonborough, then renamed in 1802 after Lisbon, Portugal. In 1806, Lisbon annexed the remainder of Little River Plantation.

Taking advantage of water power from the Androscoggin River, Lisbon Falls became a small mill town. Before it burned down in 1987, the Worumbo Mill was the main mill in Lisbon Falls. It had been incorporated in 1864, and was world famous for its woolens. Especially well known were its vicuna wool products, which became famous when President Eisenhower's Chief of Staff, Sherman Adams, received a vicuna sport coat as a gift from a wealthy industrialist and had to resign due to the resulting scandal.

Dingley Press is the Town's largest employer. Dingley has recently undergone a \$20 million expansion. The expansion will allow the company to grow its sales by approximately 30%. Dingley Press is the fifth largest catalog printer in the United States and in order to stay competitive, they needed to upgrade their printing press, co-mailer and manufacturing improvements as part of its investment. Dingley Press will maintain its workforce of about 347 full-time employees.

The Town operates under the council-manager form of government. Policy making and legislative authority are vested in the governing Town Council, which consists of a

Chairperson and six other council members. The Town Council is responsible, among other things, for passing ordinances, adopting the budget, and establishing fiscal and operational policy. The Town Manager is responsible for carrying out the policies and ordinances of the Town Council, and for overseeing the day-to-day operations of the Town. Council members are elected to four-year staggered terms with seven council members elected every two years.

The financial reporting entity (the Town) includes all the funds of the primary government (i.e., the Town of Lisbon as legally defined) as well as the financial statement information of the Lisbon Water Department.

The Town provides a full range of services. These services include police and fire protection; storage and distribution of potable water through the Lisbon Water Department; sewerage collection and treatment; sanitation services; construction and maintenance of roadways, sidewalks, streets, and infrastructure; code enforcement; planning and zoning; public services; parking enforcement; and education. The Town owns and operates its' own water and sewerage facilities.

The function of county government is a separate governmental entity and accordingly, is excluded from this report.

Budgeting Controls

The annual budget serves as the foundation for the Town of Lisbon's financial planning and control. Beginning in January of each year the Town Manager and School Superintendent begin the preparation of the budget to be enacted by the Town Council by June 30th. The various Department Heads are required to submit their proposed budget requests to their respective Executive Heads.

For Municipal Operations, the Town Manager, along with the Department Heads, review the requests and develop the proposed budget submission. The School Department is required by Town Charter, Municipal Ordinance, and by Title 20A, Section 15693 M.R.S.A., as amended to submit the detailed school budget to the School Committee for review and approval of the allocation of resources. The School Committee, then makes its recommendations to the Council for funding. The Council has the final approval of the budget request to be sent to the voters for referendum on the budget.

After reviewing the department budget requests with each Department Head and the respective budget review teams, the Town Manager and School Committee present their proposed budgets to the Town Council in accordance with an established calendar year. The Town Council is required to hold public hearings on the proposed budgets and to adopt the final Budget no later than June 30 of each year.

In addition, the Town maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual budget approved by the Town Council, and in the case of the School Department Budget voted upon in a referendum. Activities of the General, Special Revenue and Capital Projects are included in the annual budget. The School Department Budget is considered via a separate document. Interim financial statements are distributed to management and

elected officials as required by each body to provide information on the status of actual revenues and expenditures as compared to the budgeted amounts and prior years. The level of budgetary control (that is, the level at which expenditures cannot exceed the budgeted amount) is established at the individual fund level. Although the Town does not maintain an encumbrance system as one technique of accomplishing budgetary control, amounts committed are carried forward to the next fiscal year instead of being lapsed to Fund Balance at year-end.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Town of Lisbon operates.

Local Economy

The Town of Lisbon's overall economic outlook continues to improve especially in the downtown area with new businesses filling vacancies as well as business renovations. The village area continues the need of new development to help boost that end of town. Lisbon continues to make strides through its vision of the Rt. 196 and Downtown Master Plans with the help of a \$200,000 EPA Brownfields Assessment Grant, \$150,000 Community Development Block Grant for a Business Facade Grant Program and a \$320,000 Community Development Block Grant for Downtown Revitalization.

There continues to be an increase in the development of new businesses including: Flux Restaurant & Bar, Sippy Cup Consignment, Walt's Place Family Entertainment Center, FGS/CMT Inc., Serenity Beauty Spa, Haven Hair Salon and Maine Family Legal. Each of these businesses is within the Town's boundaries. Expansion of Springsworks Farms and two new developments under construction, Black Bear Ladder and Rusty's Lantern are slated to open in fall/winter of 2018.

Lisbon continues to see new development in housing with sub-division units. Kelly Park has currently built four, twelve unit apartment complexes, which are full to capacity. They are scheduled to build another twelve unit apartment in the spring of 2019. Also within the past year, the construction of six new single family homes was added to Kelly Park.

The Town's 2018 unemployment rate, provided by the Maine Department of Labor, (not adjusted for seasonal employment) of 3.0% is equal to the statewide rate of 3.0% and lower than the national average of 3.6%.

Local property tax revenues are driven primarily by the value of residential and commercial property, with property tax bills determined by the local government's assessment of the value of property. Real estate and personal property tax collections typically lag the market values because local assessment practices take time to catch up with changes. As a result, current property tax bills and property tax collections typically reflect values of property that may be determined several years prior to their collection.

Although significant infrastructure improvements have been completed recently, a gymnasium and track at the Lisbon High School costing \$500,000 and \$5,695,714 respectively, and a paving bond costing \$1,500,000, general obligation debt remains at 3.4% of taxable valuation.

In 2018, of the fourteen communities comprising Androscoggin County, Lisbon accounted for 3.8% (\$51.1M) of all taxable retail sales recorded in the county and .2% statewide. Two communities, Lewiston and Auburn accounted for 83% of total taxable retail sales in Androscoggin County in 2018. However, the 2018 statistics are positive for Lisbon as there was a very modest uptick in sales. Unadjusted for inflation, the increase amounted approximately 20% or \$10.2 million in sales from 2014.

Long-term Financial Planning

A major step forward for the Town of Lisbon will be the compilation, submission, and adoption of a five-year capital improvements plan. The plan will present in a single document, requirements from municipal government operations, school operations, and necessary improvements to the Town's water supply.

Major Initiatives

Acknowledgements

As the management of the Town of Lisbon, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Respectfully Submitted,

Diane Barnes, Town Manager/Tax Collector/Treasurer
Town of Lisbon

TOWN OF LISBON, MAINE

JUNE 30, 2018

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INDEPENDENT AUDITORS' REPORT

Town Council
Town of Lisbon, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Lisbon, Maine, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Lisbon, Maine'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 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. The financial statements of the Town of Lisbon Water Department are presented as of December 31, 2017 and for the year then ended. This represents the year end for the Town of Lisbon Water Department. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards 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 judgment, 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 control 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

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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, business-type activities, each major fund and the aggregate remaining fund information of the Town of Lisbon, Maine as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof 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, budgetary comparison information, pension and OPEB information on pages 4 through 15 and 71 through 75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental 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 Lisbon, Maine's basic financial statements. The Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and statistical information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit*

Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and related 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, Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2018, on our consideration of the Town of Lisbon, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Lisbon, Maine's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
November 6, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

(UNAUDITED)

The following management's discussion and analysis of Town of Lisbon, Maine's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the Town's financial statements.

Financial Statement Overview

In accordance with generally accepted accounting principles, the Town presents two kinds of statements, each with a different snapshot of the Town's finances. The government-wide financial statements present financial information on the Town as a whole. The focus of the fund statements is on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the Town's accountability.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad view of the Town's finances, in a manner similar to private-sector businesses. The Statement of Net Position presents information on all of the Town's assets, deferred outflow of resources, liabilities and deferred inflows of resources with the aggregate difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type) activities. The governmental activities of the Town include general governmental, public safety, public works, public services, general assistance, education, and TIF. The business-type activities of the Town include the Lisbon Water Department. The government-wide financial statements can be found on pages 16 through 18 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Lisbon, like other local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Lisbon can be divided into three categories: governmental funds, business-type activities and fiduciary funds.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town of Lisbon presents seven columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The Town's major governmental funds are the general fund, loan program fund, treatment plant fund and the school capital fund. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 19 through 22 of this report.

The Town adopts an annual budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget. The Town did not adopt any significant budget amendments for the fiscal year ended June 30, 2018.

Proprietary Funds: The Town of Lisbon maintains one proprietary fund, the water fund. These funds are used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial

statements for business-type activities and the proprietary fund financial statements. The proprietary fund financial statements can be found on pages 23 through 25 of this report.

Fiduciary Funds: These funds are used to account for resources held for the benefit of parties outside the Town of Lisbon. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Town's own programs. The Town maintains two fiduciary funds: an agency fund, which accounts for student activity funds at the individual schools, and a private purpose trust fund, which accounts for scholarships. The fiduciary fund financial statements can be found on pages 26 and 27 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Statement of Changes in Fiduciary Net Position - Fiduciary Funds on pages 28 through 69 of this report.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund, a Schedule of Proportionate Share of the Net Pension Liability, a Schedule of Contributions - Pensions, a Schedule of Proportionate Share of the Net OPEB Liability and a Schedule of Contributions - OPEB. Required supplementary information can be found on pages 71 through 75 of this report

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regards to nonmajor funds and other detailed budgetary information for the general fund. The combining and other schedules can be found on pages 77 through 86 of this report.

Financial Analysis of the Town as a Whole

The Town is presenting current and prior year comparative information in the Management's Discussion and Analysis to provide a means of analyzing its financial condition and position as of June 30, 2018.

Government-Wide Financial Analysis

Our analysis below focuses on the net position, and changes in net position of the Town's governmental activities and business-type activities.

Table 1
Town of Lisbon, Maine
Net Position
June 30,

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>6/30/18</u>	<u>6/30/17</u>	<u>12/31/17</u>	<u>12/31/16</u>
Assets:				
Current Assets	\$ 8,078,236	\$ 9,410,739	\$ 1,227,534	\$ 1,198,644
Capital Assets	25,482,073	26,553,925	5,914,089	5,998,440
Total Assets	<u>33,560,309</u>	<u>35,964,664</u>	<u>7,141,623</u>	<u>7,197,084</u>
Deferred Outflows of Resources:				
Deferred Outflows Related to Pensions	1,856,258	2,483,126	164,797	159,956
Total Deferred Outflows of Resources	<u>1,856,258</u>	<u>2,483,126</u>	<u>164,797</u>	<u>159,956</u>
Liabilities:				
Current Liabilities	3,192,022	2,969,692	327,084	328,027
Long-term Debt Outstanding	17,134,219	20,026,490	2,498,298	2,738,547
Total Liabilities	<u>20,326,241</u>	<u>22,996,182</u>	<u>2,825,382</u>	<u>3,066,574</u>
Deferred Inflows of Resources:				
Prepaid Taxes	31,447	32,448	-	-
Regulatory Reserves	-	-	337,408	314,808
Deferred Inflows Related to Pensions	1,248,669	827,274	103,459	57,935
Total Deferred Inflows of Resources	<u>1,280,116</u>	<u>859,722</u>	<u>440,867</u>	<u>372,743</u>
Net Position:				
Net Investment in Capital Assets	9,722,246	9,087,533	3,410,390	3,246,043
Restricted	1,176,366	2,851,971	-	-
Unrestricted	2,911,598	2,652,382	629,781	671,680
Total Net Position	<u>\$ 13,810,210</u>	<u>\$ 14,591,886</u>	<u>\$ 4,040,171</u>	<u>\$ 3,917,723</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the Town of Lisbon, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$13,810,210 at June 30, 2018 for the governmental activities.

The largest portion of the Town's net position (70.40%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The Town of Lisbon uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position (8.52%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$2,911,598 and 21.08% of total net position) may be used to meet the Town's ongoing obligations to citizens and creditors. The Town is able to report positive balances in net position for the government as a whole, as well as for its separate governmental activities for the fiscal years ended June 30, 2018 and 2017.

The Town's governmental net position decreased \$781,676 during the fiscal year ended June 30, 2018. Governmental current assets decreased by \$1,332,503 which reflects decreases in cash and investment balances. Capital assets decreased by \$1,071,852 reflecting purchases of \$401,913 and depreciation expense of \$1,473,765. Long term liabilities decreased by \$2,892,271. Restricted fund balances decreased by \$1,675,605 and unrestricted fund balances increased by \$259,216.

The Town's total business-type net position increased by \$122,448 from \$3,917,723 to \$4,040,171. Unrestricted net position for business-type activities decreased to a balance of \$629,781.

For more detailed information, see the Statement of Net Position on page 16.

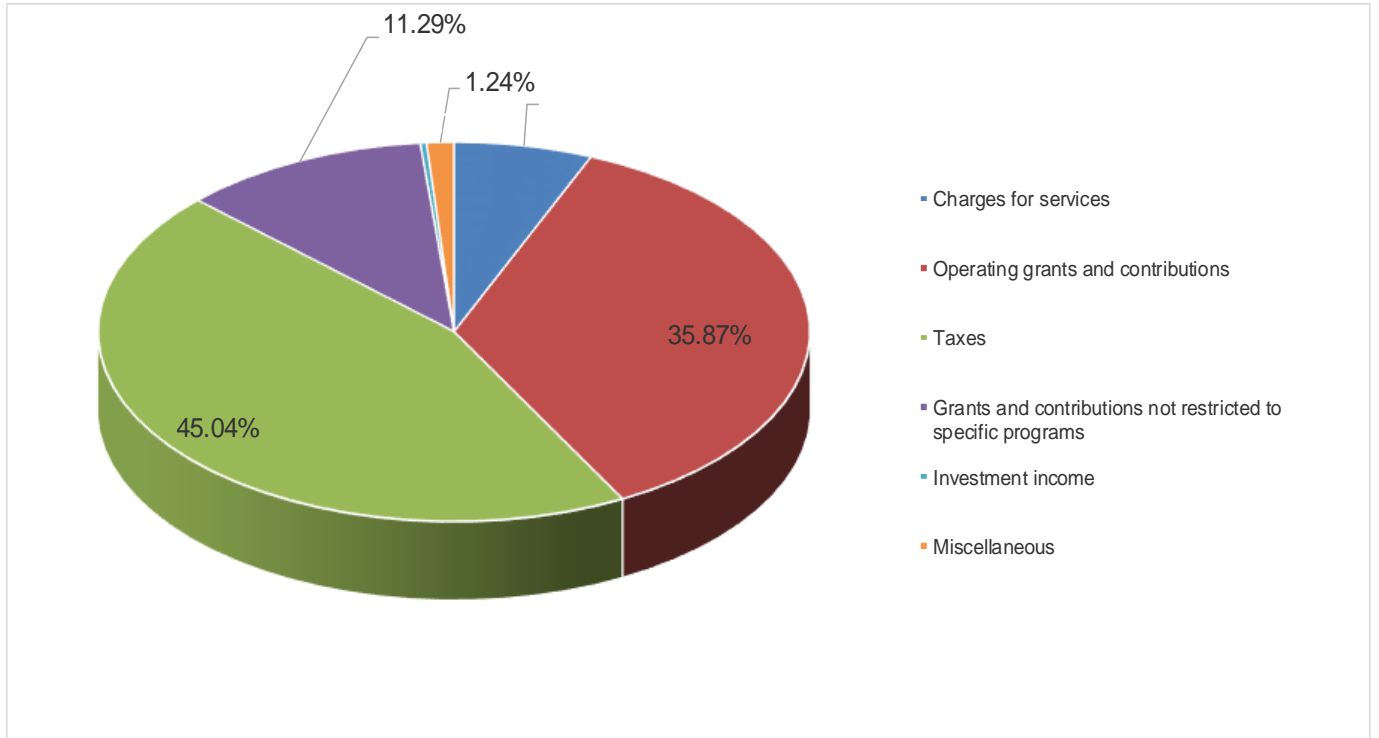
Revenues and Expenses

The following table summarizes the revenues and expenses of the Town's activities:

Table 2
Town of Lisbon, Maine
Changes in Net Position
For the Years Ended

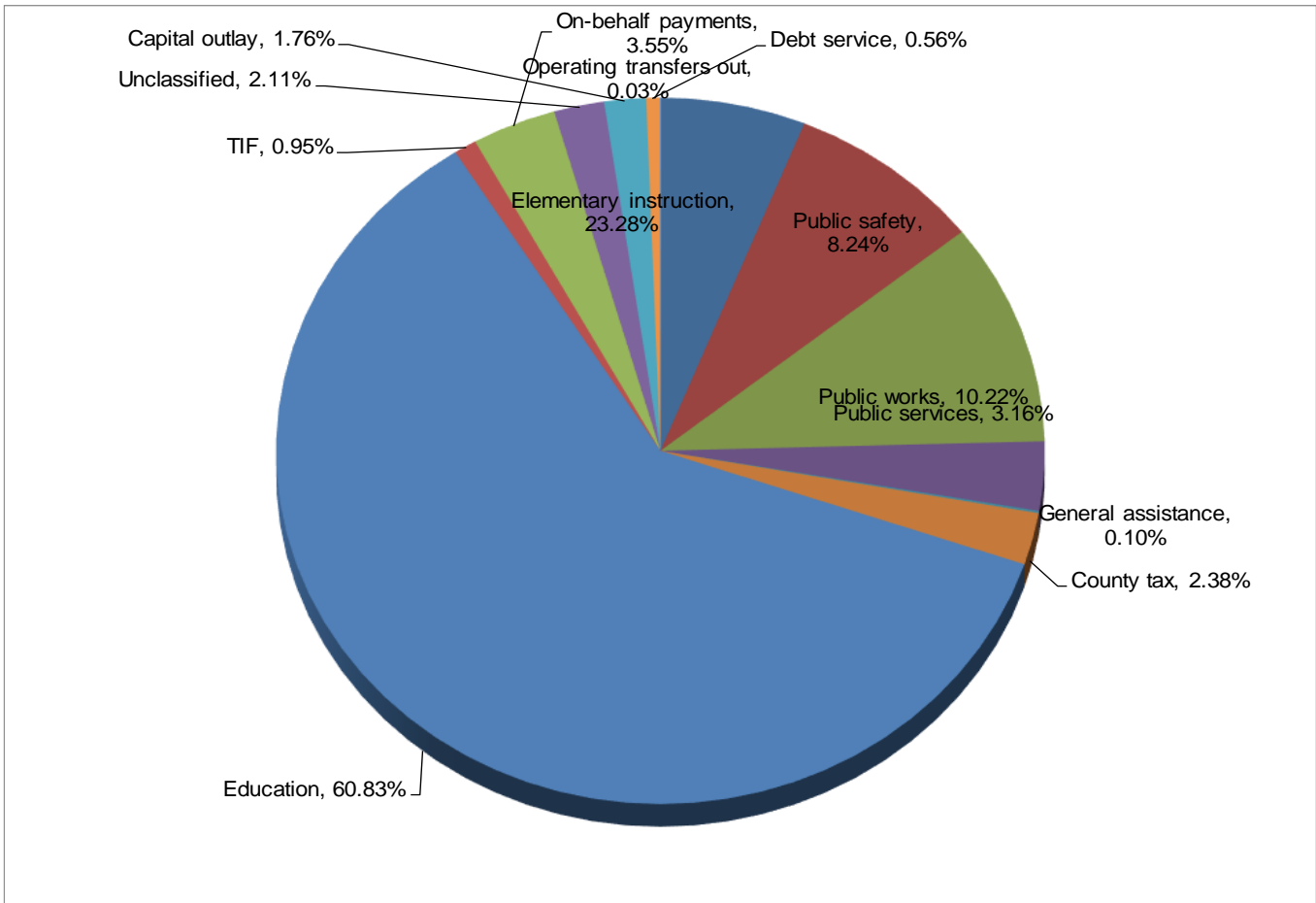
	Governmental Activities		Business-type Activities	
	<u>6/30/18</u>	<u>6/30/17</u>	<u>12/31/2017</u>	<u>12/31/2016</u>
Revenues				
<i>Program Revenues:</i>				
Charges for services	\$ 1,898,431	\$ 1,681,283	\$ 1,026,863	\$ 1,016,838
Operating grants and contributions	10,822,704	10,590,017	-	-
<i>General Revenues:</i>				
Taxes	13,590,144	13,343,644	-	-
Grants and contributions not restricted to specific programs	3,406,905	2,512,719	-	-
Investment income	85,147	111,578	-	-
Miscellaneous	372,830	345,719	76,680	79,223
Total Revenues	<u>30,176,161</u>	<u>28,584,960</u>	<u>1,103,543</u>	<u>1,096,061</u>
Expenses				
General government	1,723,344	1,855,592	-	-
Public safety	2,331,199	2,237,706	-	-
Public works	4,472,281	4,258,599	-	-
Public services	980,146	859,242	-	-
General assistance	41,258	25,878	-	-
Education	16,658,645	16,062,330	-	-
County tax	639,459	603,356	-	-
TIF	411,577	241,548	-	-
Unclassified	892,818	533,846	-	-
Water department	-	-	981,095	955,454
State of Maine on-behalf payments	1,609,622	1,882,001	-	-
Interest on debt	-	11,335	-	-
Capital outlay	1,197,488	45,909	-	-
Total Expenses	<u>30,957,837</u>	<u>28,617,342</u>	<u>981,095</u>	<u>955,454</u>
Change in Net Position	(781,676)	(32,382)	122,448	140,607
Net Position - July 1, Restated	<u>14,591,886</u>	<u>14,624,268</u>	<u>3,917,723</u>	<u>3,777,116</u>
Net Position - June 30	<u>\$ 13,810,210</u>	<u>\$ 14,591,886</u>	<u>\$ 4,040,171</u>	<u>\$ 3,917,723</u>

**Town of Lisbon, Maine
Revenues Pie Chart
For the Year Ended June 30,
2018**



Charges for services are primarily comprised of police and dispatch, animal control and school services. Taxes of \$13,590,144 increased by \$246,500 during fiscal year 2018 from the period ended June 30, 2017. Operating grants and contributions are primarily comprised of school subsidies, which are the second largest revenue source in the General Fund.

**Town of Lisbon, Maine
Expenses Pie Chart
For the Year Ended June 30, 2018**



The Town's expenses totaled \$30,790,940 for fiscal year ended June 30, 2018 as compared to \$28,617,342 for the period ended June 30, 2017. Education accounts for the majority of expenses representing 53.56% of the total for fiscal year 2018. Public safety expenses related to the operations of the Police Department and Fire Department accounted for 7.57% of the total and Public Works expenses accounted for 14.53% of the total.

Revenues for the Department's water activities increased by \$7,482, while total expenses increased by \$25,641. The increase in revenues was primarily due to an increase in charges for services. Expenses increased primarily due to increases in salaries and benefits and depreciation and amortization.

Financial Analysis of the Town's Fund Statements

For the fiscal year ended June 30, 2018, the governmental funds had a combined fund balance of \$6,709,047. This reflects a decrease from the prior year fund balance of \$7,949,088. The General Fund, which is the main operating fund of the Town of Lisbon, reported a current year decrease of \$1,751,256 in fund balance. The other major fund balances increased by \$11,331. The nonmajor fund balances increased by \$16,901. General fund revenues of \$25,451,095 were \$677,194 higher than budget. Property taxes of \$11,887,317 were \$34,623 lower than budget. Excise tax revenues of \$1,662,749 were \$158,749 greater than budget with stronger than anticipated automobile sales.

The Town's operating expenditures of \$26,567,610 were \$190,314 less than budget. The Town has continued its efforts to reduce expenditures wherever possible throughout the year. General government expenditures of \$1,556,158 were \$88,424 lower than budget. Public safety expenditures of \$2,165,119 were under budget by \$166,783. Public services expenditures of \$837,093 were under budget by \$57,467.

Proprietary funds: The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The water fund had an operating income for the current year of \$140,792.

Table 3
Town of Lisbon, Maine
Fund Balances - Governmental Funds
June 30,

	2018	2017
Major Funds:		
General Fund:		
Nonspendable	\$ 6,043	\$ 10,939
Restricted	419,658	2,249,828
Assigned	1,333,330	315,359
Unassigned	2,581,162	3,682,220
Total General Fund	4,340,193	6,258,346
Loan Program:		
Nonspendable	376,535	238,772
Committed	588,229	717,988
Treatment Plant Fund:		
Committed	958,255	902,591
School Capital Fund:		
Committed	10,043	62,380
Total Major Funds	\$ 1,933,062	\$ 1,222,720

Nonmajor Funds:		
Special Revenue Funds:		
Nonspendable	\$ 16,997	\$ 16,997
Restricted	140,733	159,802
Committed	4,858	13,458
Assigned	-	45,817
Unassigned	78,561	(11,623)
Permanent Funds:		
Nonspendable	1,118	1,118
Restricted	26,628	26,425
Total Nonmajor Funds	<u>\$ 268,895</u>	<u>\$ 251,994</u>

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2018, the net book value of governmental-type capital assets recorded by the Town decreased by \$1,071,852. This decrease was a result of capital additions of \$401,913 less current year depreciation expense of \$1,473,765.

Table 4
Town of Lisbon, Maine
Capital Assets (Net of Depreciation)

	Governmental Activities	
	<u>6/30/18</u>	<u>6/30/17</u>
Land and improvements	\$ 1,097,874	\$ 1,048,575
Construction in progress	4,431,891	4,431,891
Buildings and improvements	9,705,183	10,339,027
Equipment and vehicles	2,620,797	2,607,346
Infrastructure	7,626,328	8,127,086
Total	<u>\$ 25,482,073</u>	<u>\$ 26,553,925</u>
	Business-type Activities	
	<u>12/31/2017</u>	<u>12/31/2016</u>
Water fund	\$ 5,914,089	\$ 5,998,440
Total	<u>\$ 5,914,089</u>	<u>\$ 5,998,440</u>

Debt

As of June 30, 2018, the Town had a total of \$19,079,947 of long-term obligations outstanding. Of this amount, \$13,101,433 is in the form of general obligation bonds that are backed by the full faith and credit of the Town government. Normally, the

debt service on the general obligation bonds is paid with a component of the property tax levy. Typically, the School Department enjoys a shared cost of debt service with the State of Maine for any project that the State of Maine deems to be necessary as approved by the State Board of Education and the Commissioner of the Department of Education. The Town issued G.O. Bond Series 2014A and G.O. Bond Series 2014B for the construction of a gymnasium and track. These projects did not receive any State of Maine participation. Therefore, bonds of \$5,126,143 and \$400,000 are solely the responsibility of the Town of Lisbon's taxpayers.

Included in long-term debt outstanding at the end of 2018 are two Qualified Energy Conservation Bond leases for Municipal Government operations and School Department operations amounting to \$788,880 and \$1,667,737 for the School Department. The proceeds of these tax favored bond issues were used to pay for capital costs related to energy savings improvements in Town and School Buildings.

**Table 5
Town of Lisbon, Maine
Bonded and Similar Indebtedness**

	Governmental Activities		Business-type Activities	
	6/30/18	6/30/17	12/31/2017	12/31/2016
General obligation bonds	\$ 13,101,433	\$ 14,454,266	\$ 2,503,699	\$ 2,752,397
Capital leases payable	2,658,394	3,012,126	-	-
Accrued compensated absences	482,643	542,679	22,504	18,255
Net pension liability	2,837,477	3,836,211	245,859	254,114
Total	<u>\$ 19,079,947</u>	<u>\$ 21,845,282</u>	<u>\$ 2,772,062</u>	<u>\$ 3,024,766</u>

In Maine, a municipality may not incur debt which would cause its total debt outstanding at any time, exclusive of debt incurred for school purposes, for storm or sanitary sewer purposes, for energy facility purposes or for municipal airport purposes to exceed 7 1/2% of its last full state valuation, or any lower percentage or amount that the citizens of the Town may set by Charter or Ordinance. A municipality may incur debt for school purposes to an amount outstanding at any time not exceeding 10% of its last full state valuation, or any lower percentage or amount that a municipality may set, for storm or sanitary sewer purposes to an amount outstanding at any time not exceeding 7 1/2% of its last full state valuation, or any lower percentage or amount that the citizens of the Town may set by Charter or Municipal Ordinance. Municipalities may set for municipal airport and special district purposes an amount outstanding at any time not exceeding 3% of its last full state valuation, or any lower percentage or amount that a municipality may set. However, in no case may a municipality incur debt which would cause its total debt outstanding at any time to exceed 15% of its last full state valuation, or any lower percentage or amount that a municipality self-imposes.

However, the Town has a self-imposed debt limit of 5% of the assessed value of taxable property in the Town (\$28,012,500). Per the Town's revenue policy, long term debt will only be used to finance long-lived capital and operating assets.

Economic Factors and Next Year's Budgets and Rates

The financial results for the year ended June 30, 2018, as outlined in the above discussion and analysis, continue to show slight improvement from prior years, which is indicative of the economic stabilization and spotty growth occurring in the local and state economy. Economic improvement is expected to continue into the second half of 2018 as retail, housing, and public revenue sectors show signs of growth. Stability in real estate and personal property tax, and excise taxes are expected to continue. State aid for education is expected to decrease. The Town Council continues to emphasize a disciplined and strategic allocation of resources and fiscal prudence to ensure Lisbon's long-term financial sustainability. The Town's ongoing management of its finances has enabled the Town to meet its financial obligations while adding to the Town's Fund Balance. The Town's general credit ratings have remained stable. Although general government's expenditure budget has remained austere, the employees continue to strive to provide Lisbon's citizens with above average services.

Significant factors considered in preparing the Town's budget for the next fiscal year include the following:

- The primary revenue, real estate and personal property taxes are expected to remain flat. Requested increases in the general government budget and school department budget will continue to be constrained by nearly flat resources.
- State aid for education will decrease by approximately \$500,000 due to the State Department of Education's forecast of lower school enrollments, a modest uptick in town valuations, decreasing debt service requirements, and the lower State appropriation for education costs for the 2018-2019 Fiscal Year. At the same time revenue is constrained, the Superintendent has submitted a budget to the School Committee with an increase of approximately \$700,000.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Finance Department at 300 Lisbon Road, Lisbon, Maine 04250.

TOWN OF LISBON, MAINE

STATEMENT OF NET POSITION
JUNE 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,578,832	\$ 586,274	\$ 7,165,106
Note receivable	380,449	-	380,449
Accounts receivable (net of allowance for uncollectibles):			
Taxes	42,429	-	42,429
Liens	263,165	-	263,165
Other	771,974	65,705	837,679
Accrued revenue	-	119,912	119,912
Prepaid items	2,129	4,479	6,608
Due from other governments	22,261	-	22,261
Inventory	16,997	51,635	68,632
Total current assets	<u>8,078,236</u>	<u>828,005</u>	<u>8,906,241</u>
Noncurrent assets:			
Capital assets			
Land and other assets not being depreciated	5,480,466	143,180	5,623,646
Buildings, equipment, vehicles and infrastructure, net of accumulated depreciation	20,001,607	5,770,909	25,772,516
Total noncurrent assets	<u>25,482,073</u>	<u>5,914,089</u>	<u>31,396,162</u>
Other assets:			
Restricted cash	-	399,529	399,529
Unamortized bond issuance costs	-	-	-
Total other assets	<u>-</u>	<u>399,529</u>	<u>399,529</u>
TOTAL ASSETS	<u>33,560,309</u>	<u>7,141,623</u>	<u>40,701,932</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	1,856,258	164,797	2,021,055
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,856,258</u>	<u>164,797</u>	<u>2,021,055</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 35,416,567</u>	<u>\$ 7,306,420</u>	<u>\$ 42,722,987</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 337,042	\$ 19,809	\$ 356,851
Customer deposits	-	4,954	4,954
Payroll related liabilities	909,252	15,224	924,476
Accrued interest	-	13,333	13,333
Current portion of long-term obligations	1,945,728	273,764	2,219,492
Total current liabilities	<u>3,192,022</u>	<u>327,084</u>	<u>3,519,106</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	11,597,204	2,252,439	13,849,643
Capital leases payable	2,337,556	-	2,337,556
Accrued compensated absences	361,982	-	361,982
Net pension liability	2,837,477	245,859	3,083,336
Total noncurrent liabilities	<u>17,134,219</u>	<u>2,498,298</u>	<u>19,632,517</u>
TOTAL LIABILITIES	<u>20,326,241</u>	<u>2,825,382</u>	<u>23,151,623</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	31,447	-	31,447
Regulatory reserves	-	337,408	337,408
Deferred inflows related to pensions	1,248,669	103,459	1,352,128
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,280,116</u>	<u>440,867</u>	<u>1,720,983</u>
NET POSITION			
Net investment in capital assets	9,722,246	3,410,390	13,132,636
Restricted	1,176,366	-	1,176,366
Unrestricted	2,911,598	629,781	3,541,379
TOTAL NET POSITION	<u>13,810,210</u>	<u>4,040,171</u>	<u>17,850,381</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 35,416,567</u>	<u>\$ 7,306,420</u>	<u>\$ 42,722,987</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF LISBON, MAINE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		
					Governmental Activities	Business - type Activities	Total
Governmental activities:							
General government	\$ 1,723,344	\$ 115,633	\$ -	\$ -	\$ (1,607,711)	\$ -	\$ (1,607,711)
Public safety	2,331,199	126,523	-	-	(2,204,676)	-	(2,204,676)
Public works	4,472,281	1,321,398	98,468	-	(3,052,415)	-	(3,052,415)
Public services	980,146	333,468	-	-	(646,678)	-	(646,678)
General assistance	41,258	-	20,955	-	(20,303)	-	(20,303)
Education	16,658,645	1,409	9,093,659	-	(7,563,577)	-	(7,563,577)
County tax	639,459	-	-	-	(639,459)	-	(639,459)
TIF	411,577	-	-	-	(411,577)	-	(411,577)
Unclassified	892,818	-	-	-	(892,818)	-	(892,818)
State of Maine on-behalf payments	1,609,622	-	1,609,622	-	-	-	-
Capital outlay	1,197,488	-	-	-	(1,197,488)	-	(1,197,488)
Total governmental activities	30,957,837	1,898,431	10,822,704	-	(18,236,702)	-	(18,236,702)
Business-type activities:							
Water fund	981,095	1,048,161	-	-	-	67,066	67,066
Total business-type activities	981,095	1,048,161	-	-	-	67,066	67,066
Total government	\$ 981,095	\$ 2,946,592	\$ 10,822,704	\$ -	(18,236,702)	67,066	(18,169,636)

TOWN OF LISBON, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Governmental Activities	Business-type Activities	Total
Changes in net position:			
Net (expense) revenue	(18,236,702)	67,066	(18,169,636)
General revenues:			
Taxes:			
Property taxes, levied for general purposes	11,927,395	-	11,927,395
Excise taxes	1,662,749	-	1,662,749
Grants and contributions not restricted to specific programs	3,406,905	-	3,406,905
Investment income	85,147	3,835	88,982
Miscellaneous	372,830	51,547	424,377
Total general revenues	<u>17,455,026</u>	<u>55,382</u>	<u>17,510,408</u>
Change in net position	(781,676)	122,448	(659,228)
NET POSITION - JULY 1	<u>14,591,886</u>	<u>3,917,723</u>	<u>18,509,609</u>
NET POSITION - JUNE 30	<u>\$ 13,810,210</u>	<u>\$ 4,040,171</u>	<u>\$ 17,850,381</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF LISBON, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Loan Program Fund	Treatment Plant Fund	School Capital Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 5,646,873	\$ 856,771	\$ -	\$ -	\$ 75,188	\$ 6,578,832
Accounts receivable (net of allowance for uncollectibles):						
Taxes	42,429	-	-	-	-	42,429
Liens	263,165	-	-	-	-	263,165
Other	550,813	-	221,161	-	-	771,974
Notes, net of allowance	3,914	376,535	-	-	-	380,449
Due from other governments	-	-	-	-	22,261	22,261
Prepaid items	2,129	-	-	-	-	2,129
Inventory	-	-	-	-	16,997	16,997
Due from other funds	274,419	-	743,826	10,043	160,326	1,188,614
TOTAL ASSETS	\$ 6,783,742	\$ 1,233,306	\$ 964,987	\$ 10,043	\$ 274,772	\$ 9,266,850
LIABILITIES						
Accounts payable	\$ 330,310	\$ -	\$ 6,732	\$ -	\$ -	\$ 337,042
Accrued payroll and related items	889,510	-	-	-	-	889,510
Accrued expenses	19,742	-	-	-	-	19,742
Due to other funds	914,195	268,542	-	-	5,877	1,188,614
TOTAL LIABILITIES	2,153,757	268,542	6,732	-	5,877	2,434,908
DEFERRED INFLOWS OF RESOURCES						
Prepaid taxes	31,447	-	-	-	-	31,447
Deferred revenue - property taxes	258,345	-	-	-	-	258,345
TOTAL DEFERRED INFLOWS OF RESOURCES	289,792	-	-	-	-	289,792
FUND BALANCES						
Nonspendable	6,043	376,535	-	-	18,115	400,693
Restricted	419,658	588,229	-	-	167,361	1,175,248
Committed	-	-	958,255	10,043	4,858	973,156
Assigned	1,333,330	-	-	-	-	1,333,330
Unassigned	2,581,162	-	-	-	78,561	2,659,723
TOTAL FUND BALANCES	4,340,193	964,764	958,255	10,043	268,895	6,542,150
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 6,783,742	\$ 1,233,306	\$ 964,987	\$ 10,043	\$ 274,772	\$ 9,266,850

See accompanying independent auditors' report and notes to financial statements.

TOWN OF LISBON, MAINE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

	Total Governmental Funds
Total Fund Balances	\$ 6,542,150
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	25,482,073
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds shown above:	
Taxes and liens receivable	258,345
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	1,856,258
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(13,101,433)
Capital leases payable	(2,658,394)
Accrued compensated absences	(482,643)
Net pension liability	(2,837,477)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	(1,248,669)
Net position of governmental activities	\$ 13,810,210

See accompanying independent auditors' report and notes to financial statements.

TOWN OF LISBON, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Loan Program Fund	Treatment Plant Fund	School Capital Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes:						
Property	\$ 11,887,317	\$ -	\$ -	\$ -	\$ -	\$ 11,887,317
Excise	1,662,749	-	-	-	-	1,662,749
Licenses and permits	115,633	-	-	-	-	115,633
Intergovernmental	12,067,493	-	-	-	1,435,749	13,503,242
Investment income	35,806	-	-	-	729	36,535
Interest income	28,454	20,158	-	-	-	48,612
Charges for services	629,363	-	1,153,435	-	-	1,782,798
Other income	297,861	13,634	3,846	-	57,489	372,830
TOTAL REVENUES	26,724,676	33,792	1,157,281	-	1,493,967	29,409,716
EXPENDITURES						
Current:						
General government	1,556,158	-	-	-	-	1,556,158
Public safety	2,165,119	-	-	-	-	2,165,119
Public works	2,722,342	-	1,101,617	-	-	3,823,959
Public services	837,093	25,788	-	-	117,265	980,146
General assistance	41,258	-	-	-	-	41,258
Education	15,936,910	-	-	-	1,194,801	17,131,711
County tax	639,459	-	-	-	-	639,459
TIF	411,577	-	-	-	-	411,577
Unclassified	892,818	-	-	-	-	892,818
State of Maine on-behalf payments	883,255	-	-	-	-	883,255
Capital outlay	2,024,386	-	-	52,337	-	2,076,723
Debt service - Town	214,471	-	-	-	-	214,471
TOTAL EXPENDITURES	28,324,846	25,788	1,101,617	52,337	1,312,066	30,816,654
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,600,170)	8,004	55,664	(52,337)	181,901	(1,406,938)
OTHER FINANCING SOURCES (USES)						
Transfers in	165,000	-	-	-	-	165,000
Transfers (out)	-	-	-	-	(165,000)	(165,000)
TOTAL OTHER FINANCING SOURCES (USES)	165,000	-	-	-	(165,000)	-
NET CHANGE IN FUND BALANCES	(1,435,170)	8,004	55,664	(52,337)	16,901	(1,406,938)
FUND BALANCES - JULY 1	5,775,363	956,760	902,591	62,380	251,994	7,949,088
FUND BALANCES - JUNE 30	\$ 4,340,193	\$ 964,764	\$ 958,255	\$ 10,043	\$ 268,895	\$ 6,542,150

See accompanying independent auditors' report and notes to financial statements.

TOWN OF LISBON, MAINE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (1,406,938)</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset acquisitions	401,913
Depreciation expense	(1,473,765)
	<u>(1,071,852)</u>
Revenues in the Statement of Activities that do not provide current financial resources as revenues in the funds:	
Taxes and liens receivable	<u>40,078</u>
Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	
	<u>(626,868)</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position	
	<u>1,706,565</u>
Deferred inflows of resources are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	
	<u>(421,395)</u>
Some expenses reported in the Statement of Activities do not require the use of current resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	-
Net pension liability	998,734
	<u>998,734</u>
Change in net position of governmental activities (Statement B)	<u>\$ (781,676)</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF LISBON, MAINE

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2017

	Enterprise Funds
	Water Fund
	<u> </u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 586,274
Accounts receivable (net of allowance for uncollectibles)	65,705
Accrued revenue	119,912
Inventory	51,635
Prepaid items	4,479
Total current assets	<u>828,005</u>
Noncurrent assets:	
Capital assets:	
Property, plant and equipment	9,068,091
Total capital assets	<u>9,068,091</u>
Less: accumulated depreciation	<u>(3,154,002)</u>
Total noncurrent assets	<u>5,914,089</u>
Other assets:	
Restricted cash	399,529
Total other assets	<u>399,529</u>
TOTAL ASSETS	<u>7,141,623</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	164,797
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>164,797</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 7,306,420</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 19,809
Customer deposits	4,954
Accrued interest	13,333
Accrued payroll	15,224
Current portion of long-term liabilities	273,764
Total current liabilities	<u>327,084</u>
Noncurrent liabilities:	
Noncurrent portion of long-term liabilities:	
Bonds payable	2,252,439
Net pension liability	245,859
Total noncurrent liabilities	<u>2,498,298</u>
TOTAL LIABILITIES	<u>2,825,382</u>
DEFERRED INFLOWS OF RESOURCES	
Regulatory reserves	337,408
Deferred inflows related to pensions	103,459
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>440,867</u>
NET POSITION	
Net investment in capital assets	3,410,390
Unrestricted	629,781
TOTAL NET POSITION	<u>4,040,171</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 7,306,420</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF LISBON, MAINE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Enterprise Funds
	<u>Water Fund</u>
OPERATING REVENUES	
Residential	\$ 571,979
Commercial	72,688
Industrial	6,113
Public Authorities	27,866
Public Fire Protection	325,733
Private Fire Protection	22,484
Miscellaneous income	21,298
TOTAL OPERATING REVENUES	<u>1,048,161</u>
OPERATING EXPENSES	
Salaries and benefits	498,158
Power	37,406
Materials and supplies	35,931
Contractual services	101,090
Transportation	14,738
Insurance	16,112
Dues and fees	7,057
Depreciation	192,765
Miscellaneous expenses	4,112
TOTAL OPERATING EXPENSES	<u>907,369</u>
OPERATING INCOME (LOSS)	<u>140,792</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	3,835
Rental income	51,547
Interest expense	<u>(73,726)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(18,344)</u>
CHANGE IN NET POSITION	122,448
NET POSITION - JANUARY 1	<u>3,917,723</u>
NET POSITION - DECEMBER 31	<u>\$ 4,040,171</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF LISBON, MAINE

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Enterprise Funds
	<u>Water Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,030,391
Other receipts	21,298
Payments to employees	(461,526)
Payments to suppliers	(192,232)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>397,931</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(108,414)
Principal paid on capital debt	(248,698)
Interest paid on capital debt	(74,785)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(431,897)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	3,835
Rental income	51,547
(Increase) decrease in restricted cash	(1,274)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>54,108</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	20,142
CASH AND CASH EQUIVALENTS - JANUARY 1	<u>566,132</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31	<u>\$ 586,274</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ 140,792
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	192,765
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
(Increase) decrease in accounts receivable	5,563
(Increase) decrease in accrued revenue	(5,989)
(Increase) decrease in inventory	(7,080)
(Increase) decrease in prepaid expenses	32
(Increase) decrease in deferred outflows related to pensions	(4,841)
Increase (decrease) in accounts payable	8,662
Increase (decrease) in customer deposits	3,954
Increase (decrease) in accrued payroll	(45)
Increase (decrease) in net pension liability	(8,255)
Increase (decrease) in accrued compensated absences	4,249
Increase (decrease) in regulatory reserves	22,600
Increase (decrease) in deferred inflows related to pensions	45,524
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 397,931</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF LISBON, MAINE

STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2018

	Private- purpose Trust Funds	<u>Agency Funds</u> Student Activities
ASSETS		
Cash and cash equivalents	\$ 146,316	\$ 136,909
TOTAL ASSETS	<u>\$ 146,316</u>	<u>\$ 136,909</u>
LIABILITIES		
Held on behalf of others	\$ -	\$ 136,909
TOTAL LIABILITIES	<u>-</u>	<u>\$ 136,909</u>
NET POSITION		
Restricted - held in trust	<u>\$ 146,316</u>	

See accompanying independent auditors' report and notes to financial statements.

TOWN OF LISBON, MAINE

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Private- purpose Trust</u>
ADDITIONS	
Contributions	\$ 10,950
Investment earnings	<u>1,067</u>
TOTAL ADDITIONS	<u>12,017</u>
DEDUCTIONS	
Scholarships	<u>17,612</u>
TOTAL DEDUCTIONS	<u>17,612</u>
CHANGE IN NET POSITION	(5,595)
NET POSITION - JULY 1	<u>151,911</u>
NET POSITION - JUNE 30	<u><u>\$ 146,316</u></u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Lisbon, Maine was incorporated under the laws of the State of Maine. The Town operates under the council-manager form of government and provides the following services: general government, public safety, public works, public services, general assistance, education and unclassified.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so.

The Town's combined financial statements include all accounts and all operations of the Town. We have determined that the Town has no component units as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61.

All funds of the Town, with the exception of the Town of Lisbon Water Department, are reported as of and for the fiscal year ended June 30, 2018. December 31st is the year-end of the Water Department and the last separate financial statements were as of and for the year ended December 31, 2017. The amounts included in the Town's 2018 financial statements for the Water Department are as of and for the year ended December 31, 2017.

Implementation of New Accounting Standards

During the year ended June 30, 2018, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.*" The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 81, "*Irrevocable Split-Interest Agreements*". The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. As such, this Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 85, "Omnibus 2017." The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 86, "Certain Debt Extinguishment Issues." The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Management has determined the impact of this Statement is not material to the financial statements.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds).

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. All other activities of the Town are categorized as governmental. The Town's Water Department is categorized as a business-type activity.

In the government-wide Statement of Net Position, the governmental activities column is (a) presented on a consolidated basis by column, and (b) is reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position is reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities (general government, public safety, etc.) except for fiduciary activities. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.).

The Town does not allocate indirect costs. All costs are charged directly to the corresponding department.

The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus - Basic Financial Statements & Fund Financial Statements

The financial transactions of the Town are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the Town:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

Major Funds:

- a. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. The Loan Program Fund is used to account for financial resources to be used for various community loan programs.
- c. The Treatment Plant Fund is used to account for financial resources to be used for the operation of the treatment plant.
- d. The School Capital Fund is used to account for financial resources to be used for the acquisition or construction of major school capital facilities or equipment.

Nonmajor Funds:

- e. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- f. Permanent Funds are used to account for assets held by the Town that are legally restricted pursuant to Title 30-A, §5653 of the Maine State Statutes, as amended, and unless otherwise specified, only earnings, and

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

not principal, may be used for purposes that benefit the Town or its citizenry. The Town's policy for authorizing and spending investment income follows State statutes.

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the proprietary activity. Non-operating revenues are any revenues which are generated outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds of the Town:

- a. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

3. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Town programs. The reporting focus is on net assets and changes in net assets and is reported using accounting principles similar to proprietary funds.

The Town's fiduciary funds are presented in the fiduciary fund financial statements by type (agency and private-purpose). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column, GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

resources, revenues, or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Accrual

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Budget

The Town's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

In accordance with Governmental Accounting Standards Board Statement No. 24, *Accounting and Reporting for Certain Grants and Other Financial Assistance*, payments made by the State of Maine to the Maine State Retirement System for teachers and certain other school employees are reported as offsetting revenues and expenditures of the general fund.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues per budgetary basis	\$ 25,451,095
Add: On-behalf payments	883,255
Revenues in carryforward accounts	390,326
Transfers in	<u>165,000</u>
Total GAAP basis	<u>\$ 26,889,676</u>
Expenditures per budgetary basis	\$ 26,567,610
Add: On-behalf payments	883,255
Expenditures in carryforward accounts	<u>873,981</u>
Total GAAP basis	<u>\$ 28,324,846</u>

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. Early in the second half of the year the Town prepares a budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Town Council was called for the purpose of adopting the proposed budget after public notice of the meeting was given.
3. The budget was adopted subsequent to passage by the inhabitants of the Town.

Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

It is the Town's policy to value investments at fair value. None of the Town's investments are reported at amortized cost. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. The Town Treasurer is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations, and credit unions
- Repurchase agreements
- Money market mutual funds

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Town of Lisbon has no formal investment policy but instead follows the State of Maine Statutes.

Receivables

Receivables include amounts due from governmental agencies, local businesses and an intermediary relending program. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with accounts receivable were \$859,940 for the year ended June 30, 2018. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2018.

Inventories

Inventories of supplies are considered to be expenditures at the time of purchase and are not included in the general fund balance sheet. The school lunch fund inventory consists of school nutrition supplies and food on hand at the end of the year, valued at cost. The cost value is determined using the first-in, first-out (FIFO) method.

Inventories consist of expendable supplies held for consumption and are valued at cost which approximates market, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when used (consumption method).

Inventory of the Lisbon Water Department consists of various water materials and supplies.

Prepaid Items

Certain insurance and other payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of governmental activities.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Infrastructure such as streets, traffic signals, and signs are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets are valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

Infrastructure assets include roads, bridges, underground pipe (other than related to independently owned utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. The Town has not retroactively recorded infrastructure.

Estimated useful lives are as follows:

Buildings	20 - 50 years
Infrastructure	50 - 100 years
Machinery and equipment	3 - 50 years
Vehicles	3 - 25 years

Restricted Cash

As a condition of the 2010 and 2014 bond issues from the Maine Municipal Bond Bank, the proceeds must be spent on approved capital projects or be used to pay annual principal payments on the bond. As of December 31, 2017, cash received from the bond issues by the Lisbon Water Department totaling \$399,529 was unspent and restricted.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term debt consists primarily of bonds payable, capital leases payable, compensated absences and net pension liability.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The Town's policies regarding vacation and sick time do permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2018, the Town's liability for compensated absences is \$505,147.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maine Public Employees Retirement System Participating Local District (PLD) Consolidated Plan and State Employee and Teacher (SET) Plan and additions to/deductions from the PLD Consolidated and SET Plans' fiduciary net position have been determined on the same basis as they are reported by the PLD Consolidated and SET Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

OPEB

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, management received and relied on an actuarial report provided to them by the Maine Public Employees Retirement System (MPERS), which determined the Town's fiduciary net position as a multi-employer cost sharing defined benefit plan based on information provided solely by MPERS to complete the actuarial report. Additions to/deductions from the MPERS OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

Fund Balances

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components - nonspendable, restricted, committed, assigned and unassigned.

Nonspendable - This includes amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted - This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Committed - This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the Town. The inhabitants of the Town through Town meetings are the highest level of decision-making authority of the Town. Commitments may be established, modified, or rescinded only through a Town meeting vote.

Assigned - This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is expressed by the Town Council.

Unassigned - This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Town meeting vote has provided otherwise in its commitment or assignment actions.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times 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/expenditure) until then. The Town has only one type of item, deferred outflows related to pensions. This item is reported in the statement of net position.

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, deferred tax revenues, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported in the governmental funds balance sheet. Prepaid taxes also qualify for reporting in this category. These

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

items are reported in both the statements of net position and governmental funds balance sheet. Deferred inflows related to pensions qualifies for reporting in this category as well. This item is reported only in the statement of net position. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

Revenue Recognition - Property Taxes - Modified Accrual Basis

The Town's property tax for the current year was levied August 1, 2017 on the assessed value listed as of April 1, 2017, for all real and personal property located in the Town. Taxes were due in two installments on September 18, 2017 and March 15, 2018. Interest on unpaid taxes commenced on September 19, 2017 and March 16, 2018, at 7% per annum.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. The remaining receivables have been recorded as deferred revenues.

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$130,158 for the year ended June 30, 2018.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the lien if tax liens and associated costs remain unpaid.

Program Revenues

Program revenues include all directly related income items applicable to a particular program (charges to customers or applicants for goods, services, or privileges provided, operating or capital grants and contributions, including special assessments).

Operating/Nonoperating Proprietary Fund Revenues

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund's ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The Town does not utilize encumbrance accounting for its general fund.

Use of Estimates

During the preparation of the Town's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

State statutes require that all investments made by the Town consider the safe and sound investment of principal and preservation of capital in the overall portfolio, maintenance of sufficient liquidity to meet day-to-day operations and other cash requirements and maximization of income, within established investment risk guidelines, with consistent cash flows throughout the budgetary cycle. These investment policies apply to all Town funds.

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits. The Town maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes. At June 30, 2018, the Town's cash balances amounting to \$8,833,663 were comprised of bank deposits of \$9,898,386. Of these bank deposits, \$9,898,386 was fully insured by federal depository insurance, or other collateralization and consequently was not exposed to custodial credit risk.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 697,093
Savings accounts	41,563
Money market accounts	3,716,531
Sweep accounts	5,424,442
Certificates of deposit	18,757
	<u>\$ 9,898,386</u>

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the Town does have a policy for custodial credit risk for investments and the Town seeks to minimize custodial credit risk by doing business with authorized institutions, depositories and broker/dealers.

At June 30, 2018, the Town had \$0 of investments.

Credit risk - Statutes for the State of Maine authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The Town does not have an investment policy on credit risk. Generally, the Town invests excess funds in savings accounts and various insured or fully collateralized certificates of deposit.

Interest rate risk - is the risk that changes in interest rates will adversely affect the fair value of an investment. 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 fluctuations in interest rates.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2018 consisted of the following individual fund receivables and payables:

	<u>Receivables (Due From)</u>	<u>Payables (Due To)</u>
General Fund	\$ 274,419	\$ 914,195
Loan Program	-	268,542
Treatment Plant Fund	743,826	-
School Capital Fund	10,043	-
Nonmajor Special Revenue Funds	160,326	5,877
	<u>\$ 1,188,614</u>	<u>\$ 1,188,614</u>

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2018:

	Balance 7/1/17	Additions	Disposals	Balance 6/30/18
<u>Governmental activities:</u>				
Non-depreciated assets:				
Land	\$ 1,048,575	\$ -	\$ -	\$ 1,048,575
Construction in progress	4,431,891	-	-	4,431,891
	<u>5,480,466</u>	<u>-</u>	<u>-</u>	<u>5,480,466</u>
Depreciated assets:				
Land improvements	-	49,299	-	49,299
Buildings	26,464,905	-	-	26,464,905
Equipment and vehicles	8,474,894	352,614	(68,000)	8,759,508
Infrastructure	22,010,309	-	-	22,010,309
	56,950,108	401,913	(68,000)	57,284,021
Less: accumulated depreciation	(35,876,649)	(1,473,765)	68,000	(37,282,414)
	<u>21,073,459</u>	<u>(1,071,852)</u>	<u>-</u>	<u>20,001,607</u>
Net capital assets	<u>\$ 26,553,925</u>	<u>\$ (1,071,852)</u>	<u>\$ -</u>	<u>\$ 25,482,073</u>
<u>Current year depreciation:</u>				
General government				\$ 117,657
Education				541,706
Public safety				166,080
Public works including infrastructure				648,322
Total depreciation expenses				<u>\$ 1,473,765</u>

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	Balance, 1/1/17	Additions	Disposals	Balance, 12/31/17
<u>Business-type activities:</u>				
Non-depreciated assets:				
Land	\$ 94,002	\$ -	\$ -	\$ 94,002
Construction in progress	35,803	18,000	(4,625)	49,178
	<u>129,805</u>	<u>18,000</u>	<u>(4,625)</u>	<u>143,180</u>
Depreciated assets:				
Structures and improvements	1,570,387	-	-	1,570,387
Wells and springs	220,805	-	-	220,805
Pumping equipment	578,258	2,243	(1,500)	579,001
Water treatment equipment	868,763	12,069	(6,500)	874,332
Reservoir	159,421	-	-	159,421
Mains	3,971,277	55,230	(2,000)	4,024,507
Services	547,339	4,784	(2,000)	550,123
Meters	293,413	17,458	(9,000)	301,871
Hydrants	323,503	-	-	323,503
Office furniture and fixtures	14,829	1,695	(3,991)	12,533
Transportation	81,973	-	-	81,973
Tools and shop equipment	22,748	-	-	22,748
Laboratory	4,347	-	-	4,347
Power operated equipment	41,120	-	-	41,120
Communications equipment	143,500	-	-	143,500
Miscellaneous equipment	22,456	1,560	(9,276)	14,740
	8,864,139	95,039	(34,267)	8,924,911
Less: accumulated depreciation	(2,995,504)	(192,765)	34,267	(3,154,002)
Net capital assets	<u>5,868,635</u>	<u>(97,726)</u>	<u>-</u>	<u>5,770,909</u>
Total net capital assets	<u>\$ 5,998,440</u>	<u>\$ (79,726)</u>	<u>\$ (4,625)</u>	<u>\$ 5,914,089</u>

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2018:

	Balance 7/1/17	Additions	Reductions	Balance 6/30/18	Due Within One Year
<u>Governmental activities:</u>					
Bonds payable	\$ 14,454,266	\$ -	\$ (1,352,833)	\$ 13,101,433	\$ 1,504,229
Capital leases payable	3,012,126	-	(353,732)	2,658,394	320,838
Accrued compensated absences	482,643	-	-	482,643	120,661
Net pension liability	3,836,211	-	(998,734)	2,837,477	-
Totals	<u>\$ 21,785,246</u>	<u>\$ -</u>	<u>\$ (2,705,299)</u>	<u>\$ 19,079,947</u>	<u>\$ 1,945,728</u>

	Balance, 1/1/17	Additions	Reductions	Balance, 12/31/17	Due within one year
<u>Business-type activities:</u>					
Bonds payable	\$ 2,752,397	\$ -	\$ (248,698)	\$ 2,503,699	\$ 251,260
Net pension liability	254,114	-	(8,255)	245,859	-
Accrued compensated absences	18,255	4,249	-	22,504	22,504
Totals	<u>\$ 3,024,766</u>	<u>\$ 4,249</u>	<u>\$ (256,953)</u>	<u>\$ 2,772,062</u>	<u>\$ 273,764</u>

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - LONG-TERM DEBT (CONTINUED)

The following is a summary of the outstanding bonds payable:

	Governmental Activities	
	Town	School
\$500,000 Bond issued July 2000. Interest is stated at 1.00%, with varying annual principal installments. The bond is part of the intermediary relending loan program and will be retired with annual payments from the Loan Program Fund. Maturity in July 2026.	\$ 181,754	\$ -
\$12,899,710, 2004B General Obligation Bond due in annual principal installments and semiannual interest installments through November 2024. Interest is charged at a rate from 3.00% to 4.677% per annum. Annual principal installments are \$644,985.	-	4,514,902
\$368,000, 2005B General Obligation Bond due in annual principal installments and semiannual interest installments through November 2020. Interest is charged at a rate from 4.576% to 6.546% per annum. Annual principal installments are from \$12,855 to \$32,558.	93,748	-
\$350,000, 2004FR General Obligation Bond due in annual principal installments and semiannual interest installments through April 2024. Interest is charged at 1.93% per annum. Annual principal installments are \$17,500.	105,000	-
\$500,000, 2005FR General Obligation Bond due in annual principal installments and semiannual interest installments through October 2025. Interest is charged at 1.43% per annum. Annual principal installments are \$25,000.	200,000	-
\$540,000, 2006C General Obligation Bond due in annual principal installments and semiannual interest installments through November 2021. Interest is charged at a rate from 1.8% to 6.25% per annum. Annual principal installments are \$36,000.	144,000	-
\$1,310,855, 2009B General Obligation Bond due in annual principal installments and semiannual interest installments through November 2019. Interest is charged at a rate from 2.726% to 5.58% per annum. Annual principal installments are \$131,085.	262,172	-
\$1,070,000, 2010R General Obligation Bond due in annual principal installments and semiannual interest installments through November 2030. Interest is charged at a rate from 3.36% to 5.75% per annum. Annual principal installments are \$102,000.	695,500	-
\$350,000, 2010R Qualified School Construction Bond due in annual principal installments and semiannual interest installments through November 2030. Interest is charged at a rate of 5.28% per annum. Annual principal installments are \$35,000.	-	105,000

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - LONG TERM DEBT (CONTINUED)

	<u>Governmental Activities</u>	
	<u>Town</u>	<u>School</u>
\$270,000, 2011E General Obligation Bond due in annual principal installments and semiannual interest installments through November 2021. Interest is charged at a rate from .5% to 5.5% per annum. Annual principal installments are \$27,000.	108,000	-
\$5,695,714, 2014B General Obligation Bond due in annual principal installments and semiannual interest installments through November 2034. Interest is charged at a rate from .43% to 3.786% per annum. Annual principal installments are \$284,786.	-	4,841,357
\$500,000, 2014B General Obligation Bond due in annual principal installments and semiannual interest installments through November 2024. Interest is charged at a rate from .43% to 2.65% per annum. Annual principal installments are \$50,000.	-	350,000
\$1,500,000, 2017B General Obligation Bond due in annual principal installments and semiannual interest installments through November 2027. Interest is charged at a rate from 1.263% to 2.71% per annum. Annual principal installments are \$150,000.	<u>1,500,000</u>	<u>-</u>
Total Bonds Payable - Governmental Activities	<u>\$ 3,290,174</u>	<u>\$ 9,811,259</u>
		<u>Business-type Activities</u>
Bonds Payable:		
Bond payable to Maine Municipal Bond Bank, due in annual principal and interest payments of \$174,937. Interest is charged at an annual rate of 2.05%. Maturity in 2024.		\$ 1,145,704
Bond payable to Maine Municipal Bond Bank, due in annual principal payments of \$19,650. Interest is charged at a varying annual rate from 3.0% to 5.0%. Maturity in 2025.		157,200
Bond payable to Maine Municipal Bond Bank, due in annual principal payments of \$48,500. Interest is charged at a varying annual rate from 4.01% to 5.75%. Maturity in 2030.		630,500
Bond payable to Maine Municipal Bond Bank, due in annual principal and interest payments of \$44,254. Interest is charged at a varying annual rate from .43% to 3.79%. Maturity in 2034.		<u>570,295</u>
Total Bonds Payable - Business-Type Activities		<u>\$ 2,503,699</u>

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - LONG TERM DEBT (CONTINUED)

The annual principal and interest requirements to amortize the bonds payable are as follows:

	Governmental Activities		
	Principal	Interest	Total Debt Service
2019	\$ 1,504,229	\$ 390,100	\$ 1,894,329
2020	1,505,685	349,858	1,855,543
2021	1,376,128	309,594	1,685,722
2022	1,308,768	270,395	1,579,163
2023	1,245,968	229,364	1,475,332
2024-2028	4,006,657	629,977	4,636,634
2029-2033	1,584,429	245,122	1,829,551
2034-2038	569,569	21,501	591,070
	<u>\$ 13,101,433</u>	<u>\$ 2,445,911</u>	<u>\$ 15,547,344</u>

	Business-type Activities		
	Principal	Interest	Total Debt Service
2018	\$ 251,260	\$ 68,505	\$ 319,765
2019	254,011	63,601	317,612
2020	256,959	58,785	315,744
2021	260,110	53,795	313,905
2022	263,465	48,166	311,631
2023-2027	752,148	139,251	891,399
2028-2032	380,821	44,261	425,082
2033-2034	84,925	4,835	89,760
	<u>\$ 2,503,699</u>	<u>\$ 481,199</u>	<u>\$ 2,984,898</u>

In 2010, the Town issued a Series 2010R Public Improvement Qualified School Construction Bond for \$350,000. This bond is eligible for federal interest subsidy payments equal to 92.9% of the true interest cost of the bond as provided in the American Recovery and Reinvestment Act (ARRA) and the Hiring Incentives to Restore Employment (HIRE) Act.

Due to mandatory federal spending cuts that went into effect March 1, 2013 with sequestration, the federal interest subsidy payments are being adjusted downward.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - LONG TERM DEBT (CONTINUED)

The current sequestration reduction rate is 7.3 percent and is subject to change at any time. The total financial impact to the Town is unknown.

The Town also issued four bonds during 2005, 2006, 2010 and 2014 in the amounts of \$3,000,000, \$393,000, \$970,000 and \$650,000, respectively, on behalf of the Lisbon Water Department. These bonds are carried on the Water Department's financial statements as a liability of that Department. The Water Department issues separate financial statements which are not included in the financial statements of the Town. These bonds mature in 2024, 2025, 2030 and 2034, respectively and carry interest rates of 2.05%, 3.00%-5.00%, 2.06%-5.56% and 0.43%-3.79%, respectively. Balances at December 31, 2017 are \$1,145,704, \$157,200, \$630,500 and \$570,295, respectively.

No interest costs were capitalized during the period. The amount of interest costs incurred and charged to expense for the year ended December 31, 2017 was \$73,726 for business-type activities.

Capital Leases Payable

The Town of Lisbon and Lisbon School Department have entered into lease agreements as lessees for financing the acquisition of various equipment and vehicles. Those leases qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of future minimum lease payments as of the date of their inception in the government-wide financial statements. The following is the capitalized value of equipment leased under the capital leases as of June 30, 2018:

Cruisers (Town)	\$ 29,561
Other School equipment	1,667,735
Other Town equipment	1,285,672

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - LONG-TERM DEBT (CONTINUED)

The following is a summary of outstanding capital lease payments for the following fiscal years:

Year Ending June 30:	
2019	\$ 420,421
2020	341,710
2021	270,952
2022	270,952
2023	242,413
2024-2028	1,025,501
2029-2033	<u>1,200,638</u>
Total minimum lease payment	3,772,587
Less amount representing interest	<u>(1,114,193)</u>
Present value of future minimum lease payments	<u><u>\$ 2,658,394</u></u>

On December 15, 2014, the Town entered into a governmental Qualified Zone Academy Bond (QZAB) lease for \$858,737. This is a lease financing agreement that is secured by all equipment associated with the upgrading of boilers, lighting, heat pumps, destratification fans, pellet handling, and related energy improvements at school facilities including Lisbon High School, Middle School, Community School and Central Office. The Town is obligated to make annual debt service fund payments of \$50,514 through December 2031. The scheduled payments by the Town assume projected earnings at a fixed rate of 5.63 percent. If the trustee fails to earn projected amounts, the Town will pay, in addition to its scheduled payments, the amount such that total payments in the Debt Service Fund will equal \$858,737. Any additional financial impact to the Town is unknown.

On December 15, 2014, the Town entered into (2) governmental Qualified Energy Conservation Bond (QECB) leases totaling \$1,661,786. These are lease financing agreements that are secured by all equipment and controls associated with the heating system, lighting, ventilation, building envelop, and relate energy upgrades at various Town facilities including the Lisbon High School, Middle School, Community School and Central Office. The Town is obligated to made annual debt service fund payments totaling \$154,586 through December 2031.

On October 9, 2014, the Internal Revenue Service announced that effective October 1, 2014, QECB subsidy payments processed in FY2015 would be reduced by 7.3% because of sequestration. QECB sequestration was originally set to expire at the

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - LONG-TERM DEBT (CONTINUED)

end of FY2021 but has since been extended twice, first through FY2023 and then, under legislation passed in February 2014, through FY2024. The sequestration reduction rate will be applied unless and until a law is enacted that cancels or otherwise impacts the sequester, at which time the sequestration reduction rate is subject to change. The financial impact to the Town is unknown.

All bonds and capital leases payable are direct obligations of the Town, for which its full faith and credit are pledged. The Town is not obligated for any special assessment debt. All debt is payable from taxes levied on all taxable property within the Town.

NOTE 6 - NONSPENDABLE FUND BALANCES

At June 30, 2018, the Town had the following nonspendable fund balances:

General Fund :	
Notes Receivable	\$ 6,043
Prepaid Items	2,129
Loan Program Fund	376,535
Nonmajor Permanent Funds	1,118
	<u>\$ 402,822</u>

NOTE 7 - RESTRICTED FUND BALANCES

At June 30, 2018, the Town had the following restricted fund balances:

General Fund:	
Education	\$ 419,658
Loan Program Fund	588,229
Nonmajor Special Revenue Funds	140,733
Nonmajor Permanent Funds	26,628
	<u>\$ 1,175,248</u>

NOTE 8 - COMMITTED FUND BALANCES

At June 30, 2018, the Town had the following committed fund balances:

Treatment Plant Fund	\$ 958,255
School Capital Fund	10,043
Nonmajor Special Revenue Funds	4,858
	<u>\$ 973,156</u>

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 - ASSIGNED FUND BALANCES

At June 30, 2018, the Town had the following assigned fund balances:

General Fund:	
DOT Match	\$ 155,946
Animal Control	14,714
Summer Reading	1,818
TIF Dingley	143,837
Rt. 196/Davis St. Project	50,000
Patrick Memorial	1,397
TIF Kelly Park	5,355
Library Adult Ed.	667
Fire Truck Replacement	261,101
Police Forfeiture	20,758
Erna Smith Memorial	1,000
Downtown TIF	63,209
PD Rifles	7,800
Cemetery Donation	384
Fire Department Donations	2,062
TC Book Restore	10,000
Playground Donations	1,876
Giving Tree	3,279
Heating Assistance	644
Grants Match	5,000
Server Update	14,837
Generator Pad Reserve	20,000
FD Insurance Carryforward	9,586
FD Reserve	50,000
Technology MUNIS	75,000
Library Carpet	8,000
Employer Accrued Leave	50,000
Debt Reserve	323,274
Buildings	24,926
Assessing	6,860
	<u>\$ 1,333,330</u>

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

PARTICIPATING LOCAL DISTRICT CONSOLIDATED PLAN

Plan Description

Town employees contribute to the Maine Public Employees Retirement System (MainePERS), a cost-sharing multiple-employer defined benefit pension plan established by the Maine State Legislature. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the Participating Local District (PLD) Consolidated Plan's advisory group, which reviews the terms of the plan and periodically makes recommendations to the Legislature to amend the terms. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained online at www.maineopers.org or by contacting the System at (207) 512-3100.

Benefits Provided

The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten year requirement was reduced by legislative action to five years for employees of PLDs). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For PLD members, normal retirement age is 60 or 65. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by contract with PLD employers under applicable statutory provisions.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 2.45%. During the year ended June 30, 2018, the retirement system consisted of 283 participating employers.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Contributions

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. The Town's 2C plan members are required to contribute 8.0% of their annual covered salary and the Town's AC plan members (including the Lisbon Water Department) are also required to contribute 8.0% of their annual salary. The Town is required to contribute at an actuarially determined rate. The current rate is 9.1% for the 2C plan and 9.5% for the AC plan of covered payroll. The contribution rates of plan members and the Town are established and may be amended by the Maine Public Employee Retirement Systems advisory group. The Town's contribution to the MainePERS PLD Consolidated Plan for the year ended June 30, 2018 was \$317,949. The Lisbon Water Department's contribution to the MainePERS PLD Consolidated Plan for the year ended December 31, 2017 was \$31,087.

STATE EMPLOYEE AND TEACHER PLAN

Plan Description

All school teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's (MainePERS) State Employee and Teacher (SET) Plan. The teacher's program is a multi-employer cost-sharing plan with a special funding situation, established by the Maine State Legislature. The State of Maine is also a non-employer contributing entity in that the State pays the initial unfunded actuarial liability on behalf of teachers, while school districts contribute the normal cost, calculated actuarially, for their teacher members. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the State Legislature. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial and actuarial information for the SET Plan. That report may be obtained online at www.maineopers.org or by contacting the System at (207) 512-3100.

Benefits Provided

The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State Legislature. The System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten year

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

requirement was reduced by legislative action to five years for State employees and teachers). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by statute for State employee and teacher members and by contract with other participating employers under applicable statutory provisions.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 2.45%. During the year ended June 30, 2018, the retirement system consisted of 246 participating employers.

Contributions

Retirement benefits are funded by contributions from members and employers and by earnings on investments. The Town's teachers are required to contribute 7.65% of their compensation to the retirement system. The Town's payroll for teachers covered by this program was approximately \$6,965,737 for the year ended June 30, 2018. Title 5 of the Maine Revised Statutes Annotated requires the State to contribute 12.68% of the Town's contractually required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability (UAL). Contributions paid by the State were approximately \$883,255 for the year ended June 30, 2018. Title 5 of the Maine Revised Statutes Annotated also requires the Town to contribute at an actuarially determined normal cost rate of 3.36%, which totaled \$309,709 for 2018. In addition, the Town is required to contribute toward the UAL of the plan and pay a small percentage of payroll towards the administrative costs for federally funded teachers, which amounts to 11.68% of compensation and totaled \$52,096 for the year ended June 30, 2018.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Pension Liabilities

PLD Consolidated Plan

At June 30, 2018, the Town reported a liability of \$2,362,730 and the Lisbon Water Department reported a liability of \$245,859 for its proportionate share of the net pension liabilities for the plan. The net pension liabilities were measured as of June 30, 2017, and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liabilities were based on a projection of the Town's long-term share of contributions to each pension plan relative to the projected contributions of all PLDs, actuarially determined. At June 30, 2017, the Town's proportion was 0.577069%, which was a decrease of 0.01426% from its proportion measured as of June 30, 2016. The Lisbon Water Department's proportion at June 30, 2017 was 0.060048%, which was an increase of 0.012222% from its proportion measured as of June 30, 2016.

SET Plan

At June 30, 2018, the Town reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the Town. The amount 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:

Town's proportionate share of the net pension liability	\$ 474,747
State's proportionate share of the net pension liability associated with the Town	<u>8,636,256</u>
Total	<u>\$ 9,111,003</u>

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating school units and the State

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

actuarially determined. At June 30, 2017, the Town's proportion was 0.032684%, which was a decrease of 0.006616% from its proportion measured as of June 30, 2016.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the Town recognized total pension expense of \$49,529 for the PLD plan and net expense of \$726,367 and revenue of \$726,367 for support provided by the State of Maine for the SET plan. For the year ended December 31, 2017, the Lisbon Water Department recognized net pension expense of \$63,515. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Town		SET Plan		Lisbon Water Department	
	PLD Plan		SET Plan		PLD Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 113,512	\$ 19,966	\$ -	\$ -	\$ 11,812
Changes of assumptions	201,054	-	-	7,415	20,921	-
Net difference between projected and actual earnings on pension plan investments	814,264	879,234	132,451	139,432	84,730	91,491
Changes in proportion and differences between contributions and proportionate share of contributions	13,642	45,199	47,223	63,877	43,689	156
Contributions subsequent to the measurement date	317,949	-	309,709	-	15,457	-
Total	<u>\$ 1,346,909</u>	<u>\$ 1,037,945</u>	<u>\$ 509,349</u>	<u>\$ 210,724</u>	<u>\$ 164,797</u>	<u>\$ 103,459</u>

\$333,406 for the PLD plans and \$309,709 for the SET plan were reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended June 30, 2018 or December 31, 2018 for the Lisbon Water Department. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	Town		Lisbon Water Department
	PLD Plan	SET Plan	PLD Plan
Plan year ended June 30:			
2018	\$ (65,378)	\$ 9,387	\$ 19,586
2019	201,407	1,770	41,385
2020	15,852	3,174	1,649
2021	(160,864)	(25,414)	(16,739)
2022	-	-	-
Thereafter	-	-	-

Actuarial Methods and Assumptions

The respective collective total pension liability for the plans was determined by an actuarial valuation as of June 30, 2017, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

The Entry Age Normal actuarial funding method is used to determine costs. Under this funding method, the total employer contribution rate consists of two elements: the normal cost rate and the unfunded actuarial liability (UAL) rate.

The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each employee. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of his or her expected future salary. The normal cost for each employee is the product of his or her pay and his or her normal cost rate. The normal cost for the group is the sum of the normal costs for all members.

Experience gains and losses, i.e., decreases or increases in liabilities and/or in assets when actual experience differs from the actuarial assumptions, affect the unfunded actuarial accrued liability.

Asset Valuation Method

The actuarial valuation employs a technique for determining the actuarial value of assets which dampens the swing in the market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the actuarial assumption for investment return.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Amortization

The net pension liability of the PLD Consolidated Plan is amortized on a level percentage of payroll using a method where a separate twenty-year closed period is established annually for the gain or loss for that year.

The net pension liability of the State Employee and Teacher Retirement Plan is amortized on a level percentage of payroll over the amortization period then in effect under statutory and constitutional requirements. All other gains, losses, and changes are amortized over ten-year periods beginning on the date as of which they occur.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2017 are as follows:

Investment Rate of Return - For both the PLD and State Employee and Teacher Plans, 6.875% per annum compounded annually.

Salary Increases, Merit and Inflation - Members of the consolidated plan for PLDs, 2.75%-9.0% per year.

Mortality Rates - for active member and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used for FY2017. For all recipients of disability benefits, the RP2014 Total Dataset Disabled Annuitant Mortality Table, for males and females, is used.

Cost of Living Benefit Increases – for participating local districts and state employees and teachers, 2.2% per annum.

The long-term expected rate of return on pension plan assets was determined using a building-block method 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 class of assets. 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 pension plan's target asset allocation as June 30, 2017 are summarized in the following table. Assets for each of the defined benefit plans are commingled for investment purposes.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Public equities	30%	6.0%
US Government	8%	2.3%
Private equity	15%	7.6%
Real assets:		
Real estate	10%	5.2%
Infrastructure	10%	5.3%
Natural resources	5%	5.0%
Traditional Credit	8%	3.0%
Alternative Credit	5%	4.2%
Diversifiers	10%	5.9%

Discount Rate

The discount rate used to measure the collective total pension liability was 6.875% for 2017 for each of the Plans. 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 and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to 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.

The following table shows how the collective net pension liability as of June 30, 2017 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 6.875% for each of the Plans.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	1% Decrease	Discount Rate	1% Increase
<u>PLD Plan - Town:</u>			
Discount rate	5.875%	6.875%	7.875%
Town's proportionate share of the net pension liability	\$ 4,740,363	\$ 2,362,730	\$ 572,741
<u>SET Plan:</u>			
Discount rate	5.875%	6.875%	7.875%
Town's proportionate share of the net pension liability	\$ 833,040	\$ 474,747	\$ 178,925
	1% Decrease	Discount Rate	1% Increase
<u>PLD Plan - Lisbon Water Department:</u>			
Discount rate	5.875%	6.875%	7.875%
Department's proportionate share of the net pension liability	\$ 493,268	\$ 245,859	\$ 59,598

Changes in Net Pension Liability

Each employer's share of the collective net pension liability is equal to the collective net pension liability multiplied by the employer's proportionate share as of June 30, 2017 as shown in the schedules of employer and non-employer contributing entity allocations. Changes in net pension liability are recognized in pension expense for the year ended June 30, 2017 with the following exceptions.

Differences between Expected and Actual Experience

The difference between expected and actual experience with regard to economic or demographic factors were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resource. For 2017, this was 4 years for the PLD Consolidated Plan and 3 years for the SET Plan.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Differences between Projected and Actual Investment Earnings

Differences between projected and actual investment earnings were recognized in pension expense using a straight-line amortization method over a closed five-year period. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

Changes in Assumptions

Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used for the year ended June 30, 2017 valuation were based on the results of an actuarial experience study for the period of June 30, 2012 through June 30, 2015. Please refer to the *Actuarial Methods and Assumptions* section for information relating to changes of assumptions. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions

Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability.

Pension Plan Fiduciary Net Position

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS' 2017 Comprehensive Annual Financial Report available online at www.mainebers.org or by contacting the System at (207) 512-3100.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE
INSURANCE PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE EMPLOYEE AND TEACHER PLAN

Plan Description

All School teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's (MainePERS) State Employee and Teacher (SET) Plan. The teacher's program is a multi-employer cost-sharing plan with a special funding situation, established by the Maine State Legislature. The State of Maine is also a non-employer contributing entity in that the State pays the initial unfunded actuarial liability on behalf of teachers, while school districts contribute the normal cost, calculated actuarially, for their teacher members. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the State Legislature. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial and actuarial information for the SET Plan. That report may be obtained online at www.maineopers.org or by contacting the System at (800) 451-9800.

Benefits Provided

The Group Life Insurance Plan (the Plan) provides basic group life insurance benefits, during retirement, to retirees who participated in the Plan prior to retirement for a minimum of 10 years (the 10-year participation requirement does not apply to recipients of disability retirement benefits). The level of coverage in retirement is initially set to an amount equal to the retiree's average final compensation. The initial amount of basic life is then subsequently reduced at the rate of 15% per year to the greater of 40% of the initial amount, or \$2,500.

Contributions

Life insurance benefits are funded by contributions from members and employers. Premium rates are those determined by the MainePERS's Board of Trustees to be actuarially sufficient to pay anticipated claims. For Department's teachers, the premiums for retiree life insurance coverage are factored into the premiums paid for basic coverage while participants are active members. Premiums for basic life insurance coverage for retired teachers are paid by the State as the total dollar amount of each year's annual required contribution. The State participates in the SET Plan as a non-employer contributing entity in that the State pays the actuarially determined premium contributions associated with retired teachers. The State's contribution to the Plan for the year ended June 30, 2018 were approximately \$21,499.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town either carries commercial insurance, participates in a public entity risk pool, or is effectively self-insured. Currently the Town participates in several public-entity and self-insured risk pools sponsored by the Maine Municipal Association.

Based on the coverage provided by the pools described above, as well as coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2018. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

In 2003, the Lisbon Water Department entered into a cell phone tower lease with T-Mobile. Under the terms of the agreement, T-Mobile pays the Lisbon Water Department a monthly lease payment for the right to have its cell phone tower on one of the Department's standpipes. The lease automatically renews annually unless either party terminates the agreement. The lease payment increases 3% annually. The 2018 monthly lease payment to be received by the Lisbon Water Department is \$1,782.

In 2004, the Lisbon Water Department entered into a cell phone tower lease with Verizon Wireless. Under the terms of the agreement, Verizon Wireless pays the Lisbon Water Department a monthly lease payment for the right to have its cell phone tower on one of the Lisbon Water Department's standpipes. The lease automatically renews annually unless either party terminates the agreement. The lease payment increases 3% annually. The 2018 monthly lease payment to be received by the Lisbon Water Department is \$2,384.

The Lisbon Water Department entered into a contract with Direct Energy Business, LLC to supply electricity to the Department's facilities at \$0.07803 per kilowatt hour. The contract is effective through September 2018.

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the Town's financial position.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Town participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the Town's compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

NOTE 14 - MAJOR CUSTOMER

The Lisbon Water Department derived approximately 31% of its operating revenues from the Town of Lisbon related to the servicing of public fire hydrants for the year ended December 31, 2017.

NOTE 15 - OVERLAPPING DEBT

The Town is contingently liable for its proportionate share of any defaulted debt by entities of which it is a member. At June 30, 2018, the Town's share of the County of Androscoggin's debt was \$0.

NOTE 16 - OVERSPENT APPROPRIATIONS

As of June 30, 2018, the Town had overdrafts in the following line items:

Legal	\$ 11,387
Tax collector	2,009
Assessing	7,754
Communication	3,994
Snow removal	80,234
Hydrant rental	20,067
Parks department	4,830
General assistance	12,190
Capital outlay	1,179
	<u>\$ 143,644</u>

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 17 - TAX INCREMENT FINANCING DISTRICT AND ABATEMENTS

The Town has established several tax increment financing districts in accordance with Maine statutes to finance development programs located in the Town of Lisbon, Maine. The expenditures from these development programs will be recovered in future years through an incremental tax levied upon the districts' so called "captured assessed value". A portion of the incremental tax revenues will be returned to the district to repay principal and interest on any indebtedness, to fund the expenditures of the development program, and to finance future expansion.

Dingley Press Municipal Development and Tax Increment Financing District

On December 7, 1993, the Town of Lisbon entered into a credit enhancement agreement with the Dingley Press, a specialty catalog business, for the expansion of the existing 60,000 square foot facility to an additional 61,000 square feet. The original valuation of the property was \$13,925,410. 100% of the property taxes to be generated on 50% of the improvements within the District will be returned to the developer for 20 years. The remaining 50% will be retained by the Town and used for general purposes. This agreement was amended on January 22, 1998 to extend the term for an additional five year period, and to capture both real and personal property increases above the original valuation. On February 15, 2011, a second amendment request was approved to capture 100% of the increased assessed value (IAV) for the remaining eight year term of the District. 50% of the property taxes will be returned to developer, with the remaining amount being retained by the Town and used to fund the Town's economic and community development program.

Kelly Park Municipal Development and Tax Increment Financing District

On January 22, 2013, the Town of Lisbon approved an omnibus Tax Increment Financing District enabling individual credit enhancement agreements (CEAs) with developers of each park lot, which is currently subdivided as four lots with potential for additional subdivision to as many as eight lots. Individual CEA reimbursements including up to 100% of capture assessed value, will be determined by the extent of construction value/assessed value, number of jobs, and average weekly wage of jobs. The District and Development Program have been adopted locally and have been reviewed by the state for compliance with state statutes and subsequently was approved on March 15, 2013. The original valuation of the property was \$224,980.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 17 - TAX INCREMENT FINANCING DISTRICT (CONTINUED)

Furniture Superstore Municipal Development and Tax Increment Financing District

On February 2, 2002, the Town of Lisbon entered into a credit enhancement agreement with the Furniture Superstore, a furniture retailer, for the design, construction and equipping of a 90,000 square foot furniture store and warehouse. The original valuation of the property was \$106,720. The District provides for 40% of the increase in assessed value (IAV) of the District to be captured and designated as captured assessed value. 100% of the property taxes to be generated, both real and personal, on captured assessed value within the District will be returned to the developer for 15 years. The remaining 60% of property taxes generated on the IAV will be retained by the Town and used for general purposes.

Enterprise Electric Municipal Development and Tax Increment Financing District

On December 9, 2003, the Town of Lisbon entered into a credit enhancement agreement with the Enterprise Electric for the construction of a 27,000 square foot facility. The original valuation of the property was \$23,400. The District provides for 50% of the increase in assessed value (IAV) of the District to be captured and designated as captured assessed value. 100% of the property taxes to be generated, both real and personal, on captured assessed value within the District will be returned to the developer for 20 years. The remaining 50% of property taxes generated on the IAV will be retained by the Town and used for general purposes.

Gendron Realty Municipal Development and Tax Increment Financing District

On September 28, 2004, the Town of Lisbon entered into a credit enhancement agreement with Gendron Realty, a realtor and real estate developer, for the demolition, removal of existing buildings and new construction of a 30,000 square foot building for a Food City, Sam's Italian Foods, Dunkin Donuts and other associated retail/office space. The original valuation of the property was \$303,130. The District provides for 40% of the increase in assessed value (IAV) of the District to be captured and designated as captured assessed value. 100% of the property taxes to be generated, both real and personal, on captured assessed value within the District will be returned to the developer for 20 years. The remaining 60% of property taxes generated on the IAV will be retained by the Town and used for general purposes.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 17 - TAX INCREMENT FINANCING DISTRICT (CONTINUED)

G and C Realty LLC Municipal Development and Tax Increment Financing District

On September 28, 2004, the Town of Lisbon entered into a credit enhancement agreement with G and C Realty, LLC, a realtor and real estate developer, for the construction of a 27,600 square foot facility for Floor Systems, Inc. on company-owned land. The original valuation of the property was \$39,600. The District provides for 50% of the increase in assessed value (IAV) of the District to be captured and designated as captured assessed value. 100% of the property taxes to be generated, both real and personal, on captured assessed value within the District will be returned to the developer for 15 years. The remaining 50% of property taxes generated on the IAV will be retained by the Town and used for general purposes.

Abatements

The Town has not made any commitments as part of the Credit Enhancement Agreements other than to reduce taxes. The Town is not subject to any tax abatement agreements entered into by other governmental entities.

For the fiscal year ended June 30, 2018, the Town abated property taxes for the following programs: none.

NOTE 18 - COMPARATIVE DATA/RECLASSIFICATIONS

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the Town's financial position and operations. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Government Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions - Pensions
- Schedule of Proportionate Share of the Net OPEB Liability
- Schedule of Contributions - OPEB

TOWN OF LISBON, MAINE

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		Actual Amounts	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Resources (Inflows):				
Property taxes	\$ 11,921,940	\$ 11,921,940	\$ 11,887,317	\$ (34,623)
Excise taxes	1,504,000	1,504,000	1,662,749	158,749
Licenses and permits	88,395	88,395	115,633	27,238
Intergovernmental	10,155,581	10,387,364	10,793,912	406,548
Charges for services	581,503	581,503	629,363	47,860
Interest income	13,000	13,000	35,806	22,806
Interest/costs on liens	34,000	34,000	28,454	(5,546)
Other income	243,699	243,699	297,861	54,162
Amounts Available for Appropriation	<u>24,542,118</u>	<u>24,773,901</u>	<u>25,451,095</u>	<u>677,194</u>
Charges to Appropriations (Outflows):				
General government	1,644,582	1,644,582	1,556,158	88,424
Public safety	2,331,902	2,331,902	2,165,119	166,783
Public works	2,676,213	2,676,213	2,722,342	(46,129)
Public services	894,560	894,560	837,093	57,467
General assistance	29,068	29,068	41,258	(12,190)
County tax	639,783	639,783	639,459	324
Education	15,730,955	15,730,955	15,936,910	(205,955)
TIF	443,004	443,004	411,577	31,427
Overlay/abatements	130,158	130,158	18,837	111,321
Capital outlay	371,569	2,023,207	2,024,386	(1,179)
Debt service	214,492	214,492	214,471	21
Total Charges to Appropriations	<u>25,106,286</u>	<u>26,757,924</u>	<u>26,567,610</u>	<u>190,314</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(1,984,023)</u>	<u>(1,116,515)</u>	<u>867,508</u>
OTHER FINANCING SOURCES (USES)				
Revenues in carryforward accounts	-	1,419,855	390,326	(1,029,529)
Expenditures in carryforward accounts	-	-	(873,981)	(873,981)
Transfers in	165,000	165,000	165,000	-
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>165,000</u>	<u>1,584,855</u>	<u>(318,655)</u>	<u>(1,903,510)</u>
NET CHANGE IN FUND BALANCES	<u>\$ 165,000</u>	<u>\$ -</u>	<u>(1,435,170)</u>	<u>\$ (1,036,003)</u>
FUND BALANCES - JULY 1			<u>5,775,363</u>	
FUND BALANCES - JUNE 30			<u>\$ 4,340,193</u>	

See accompanying independent auditors' report and notes to financial statements.

TOWN OF LISBON, MAINE

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>PLD Plan - Town:</u>				
Proportion of the net pension liability	0.58%	0.59%	0.58%	0.59%
Proportionate share of the net pension liability	\$ 2,362,730	\$ 3,141,913	\$ 1,280,674	\$ 910,967
Covered-employee payroll	\$ 3,149,472	\$ 3,034,713	\$ 3,043,854	\$ 2,228,868
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	75.02%	103.53%	42.07%	40.87%
Plan fiduciary net position as a percentage of the total pension liability	86.43%	86.40%	81.61%	88.30%
 <u>SET Plan:</u>				
Town's proportion of the net pension liability	0.03%	0.04%	0.03%	0.03%
Town's proportionate share of the net pension liability	\$ 474,747	\$ 694,298	\$ 392,331	\$ 348,406
State's proportionate share of the net pension liability associated with the Town	<u>8,636,256</u>	<u>9,967,895</u>	<u>7,870,813</u>	<u>6,252,863</u>
Total	<u>\$ 9,111,003</u>	<u>\$ 10,662,193</u>	<u>\$ 8,263,144</u>	<u>\$ 6,601,269</u>
Town's covered-employee payroll	\$ 7,470,720	\$ 7,150,470	\$ 7,348,015	\$ 7,222,074
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	6.35%	9.71%	5.34%	4.82%
Plan fiduciary net position as a percentage of the total pension liability	80.78%	80.80%	81.20%	83.91%
 <u>PLD Plan - Lisbon Water Department:</u>				
Proportion of the net pension liability	0.06%	0.05%	0.04%	0.04%
Proportionate share of the net pension liability	\$ 245,859	\$ 254,114	\$ 139,892	\$ 56,539
Covered-employee payroll	\$ 321,435	\$ 255,428	\$ 229,787	\$ 195,950
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	76.49%	99.49%	60.88%	28.85%
Plan fiduciary net position as a percentage of the total pension liability	80.78%	80.80%	81.20%	83.91%

* The amounts presented for each fiscal year were determined as of June 30, and are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

TOWN OF LISBON, MAINE

SCHEDULE OF CONTRIBUTIONS - PENSIONS
LAST 10 FISCAL YEARS*

	2018	2017	2016	2015
<u>PLD Plan - Town:</u>				
Contractually required contribution	\$ 317,949	\$ 296,008	\$ 270,090	\$ 231,256
Contributions in relation to the contractually required contribution	<u>(317,949)</u>	<u>(296,008)</u>	<u>(270,090)</u>	<u>(231,256)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 3,274,658	\$ 3,149,472	\$ 3,034,713	\$ 3,043,854
Contributions as a percentage of covered-employee payroll	9.71%	9.40%	8.90%	7.60%
<u>SET Plan:</u>				
Contractually required contribution	\$ 309,709	\$ 287,895	\$ 285,213	\$ 240,350
Contributions in relation to the contractually required contribution	<u>(309,709)</u>	<u>(287,895)</u>	<u>(285,213)</u>	<u>(240,350)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 6,965,737	\$ 7,470,720	\$ 7,150,470	\$ 7,348,015
Contributions as a percentage of covered-employee payroll	4.45%	3.85%	3.99%	3.27%
<u>PLD Plan - Lisbon Water Department:</u>				
Contractually required contribution	\$ 31,087	\$ 26,541	\$ 20,128	\$ 14,941
Contributions in relation to the contractually required contribution	<u>(31,087)</u>	<u>(26,541)</u>	<u>(20,128)</u>	<u>(14,941)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 325,535	\$ 287,632	\$ 240,468	\$ 207,051
Contributions as a percentage of covered-employee payroll	9.55%	9.23%	8.37%	7.22%

* The amounts presented for each fiscal year were determined as of June 30, for the Town's PLD and SET Plans and for December 31, for the Water Department's PLD Plan, and are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

TOWN OF LISBON, MAINE

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST 10 FISCAL YEARS*

	<u>2018</u>	<u>2017</u>
<u>SET Life Insurance:</u>		
Proportion of the net OPEB liability	0.00%	0.00%
Town's proportionate share of the net OPEB liability	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the Town	237,224	-
Total	<u>\$ 237,224</u>	<u>\$ -</u>
Covered-employee payroll	\$ 7,470,720	\$ 7,150,470
Proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	60.11%	0.00%

* The amounts presented for each fiscal year were determined as of June 30 and are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

TOWN OF LISBON, MAINE

SCHEDULE OF CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS*

	<u>2018</u>	<u>2017</u>
<u>SET Life Insurance:</u>		
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 6,965,737	\$ 7,470,720
Contributions as a percentage of covered- employee payroll	0.00%	0.00%

* The amounts presented for each fiscal year are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund
- Schedule of Departmental Operations - General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Permanent Funds

SCHEDULE A

TOWN OF LISBON, MAINE

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - BUDGET AND
ACTUAL - GENERAL FUND REVENUES
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Adjustments	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES:					
Taxes:					
Property taxes	\$ 11,921,940	\$ -	\$ 11,921,940	\$ 11,887,317	\$ (34,623)
Excise taxes	1,504,000	-	1,504,000	1,662,749	158,749
Interest and costs on taxes	34,000	-	34,000	28,454	(5,546)
	<u>13,459,940</u>	<u>-</u>	<u>13,459,940</u>	<u>13,578,520</u>	<u>118,580</u>
Licenses and permits:					
Business permits and fees	1,895	-	1,895	3,782	1,887
All other construction fees	39,500	-	39,500	60,997	21,497
Town clerk	47,000	-	47,000	50,854	3,854
	<u>88,395</u>	<u>-</u>	<u>88,395</u>	<u>115,633</u>	<u>27,238</u>
Intergovernmental:					
Education subsidies	8,692,994	-	8,692,994	9,093,659	400,665
State revenue sharing	602,000	-	602,000	597,334	(4,666)
General assistance	12,750	-	12,750	20,955	8,205
Tree growth reimbursement	15,000	-	15,000	11,569	(3,431)
BETE reimbursement	168,713	-	168,713	168,787	74
Homestead reimbursement	541,677	-	541,677	541,677	-
Miscellaneous state aid	15,483	-	15,483	19,680	4,197
Urban rural incentive program	96,964	-	96,964	98,468	1,504
Veteran reimbursement	10,000	-	10,000	10,000	-
Rural development grant	-	231,783	231,783	231,783	-
	<u>10,155,581</u>	<u>231,783</u>	<u>10,387,364</u>	<u>10,793,912</u>	<u>406,548</u>
Charges for services:					
Public services	300,246	-	300,246	333,468	33,222
Public works	142,112	-	142,112	167,963	25,851
Public safety	135,645	-	135,645	126,523	(9,122)
School	3,500	-	3,500	1,409	(2,091)
	<u>581,503</u>	<u>-</u>	<u>581,503</u>	<u>629,363</u>	<u>47,860</u>
Investment income	<u>13,000</u>	<u>-</u>	<u>13,000</u>	<u>35,806</u>	<u>22,806</u>
Other revenues:					
TIF	103,403	-	103,403	100,787	(2,616)
Interest rebate	-	-	-	3,718	3,718
School	140,296	-	140,296	182,152	41,856
Other revenues	-	-	-	11,204	11,204
	<u>243,699</u>	<u>-</u>	<u>243,699</u>	<u>297,861</u>	<u>54,162</u>
Total revenues	<u>\$ 24,542,118</u>	<u>\$ 231,783</u>	<u>\$ 24,773,901</u>	<u>\$ 25,451,095</u>	<u>\$ 677,194</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF LISBON, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Adjustments	Final Budget	Actual Amounts	Variance Positive (Negative)
General government:					
Elected officials	\$ 21,825	\$ -	\$ 21,825	\$ 20,172	\$ 1,653
Town manager	224,733	-	224,733	215,875	8,858
Contingency	5,000	-	5,000	-	5,000
Insurance	120,665	-	120,665	117,364	3,301
Legal	40,000	-	40,000	51,387	(11,387)
Finance	162,076	-	162,076	144,253	17,823
Tax collector	176,651	-	176,651	178,660	(2,009)
Code enforcement	113,326	-	113,326	110,997	2,329
Town clerk	134,938	-	134,938	123,029	11,909
Assessing	78,496	-	78,496	86,250	(7,754)
Town buildings	245,155	-	245,155	199,157	45,998
Technology	183,692	-	183,692	183,692	-
Planning Board	32,936	-	32,936	28,559	4,377
Board of Appeals	1,686	-	1,686	830	856
Economic development	103,403	-	103,403	95,933	7,470
	<u>1,644,582</u>	<u>-</u>	<u>1,644,582</u>	<u>1,556,158</u>	<u>88,424</u>
Public safety:					
Police	1,448,781	-	1,448,781	1,382,284	66,497
Animal control officer	90,086	-	90,086	85,543	4,543
Fire	447,190	-	447,190	347,505	99,685
Emergency	1,742	-	1,742	1,690	52
Communication	344,103	-	344,103	348,097	(3,994)
	<u>2,331,902</u>	<u>-</u>	<u>2,331,902</u>	<u>2,165,119</u>	<u>166,783</u>
Public works:					
Public works	1,479,067	-	1,479,067	1,465,232	13,835
Snow removal	271,103	-	271,103	351,337	(80,234)
Hydrant rental	325,733	-	325,733	345,800	(20,067)
Street and traffic lights	110,500	-	110,500	91,750	18,750
Solid waste	489,810	-	489,810	468,223	21,587
	<u>2,676,213</u>	<u>-</u>	<u>2,676,213</u>	<u>2,722,342</u>	<u>(46,129)</u>

TOWN OF LISBON, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Final Budget	Budget Adjustments	Final Budget	Actual Amounts	Variance Positive (Negative)
Public services:					
Health officer	6,288	-	6,288	5,695	593
Community services - senior citizens	40,000	-	40,000	40,001	(1)
Lisbon Falls Library	269,404	-	269,404	268,520	884
Miscellaneous public services	13,000	-	13,000	12,832	168
Recreation department	565,868	-	565,868	505,215	60,653
Parks department	-	-	-	4,830	(4,830)
	<u>894,560</u>	<u>-</u>	<u>894,560</u>	<u>837,093</u>	<u>57,467</u>
General assistance	<u>29,068</u>	<u>-</u>	<u>29,068</u>	<u>41,258</u>	<u>(12,190)</u>
Intergovernmental - county tax	<u>639,783</u>	<u>-</u>	<u>639,783</u>	<u>639,459</u>	<u>324</u>
Education	<u>15,730,955</u>	<u>-</u>	<u>15,730,955</u>	<u>15,936,910</u>	<u>(205,955)</u>
Unclassified:					
Tax increment financing payments	443,004	-	443,004	411,577	31,427
Overlay/tax abatements	130,158	-	130,158	18,837	111,321
	<u>573,162</u>	<u>-</u>	<u>573,162</u>	<u>430,414</u>	<u>142,748</u>
Capital outlay	<u>371,569</u>	<u>1,651,638</u>	<u>2,023,207</u>	<u>2,024,386</u>	<u>(1,179)</u>
Debt service - Town	<u>214,492</u>	<u>-</u>	<u>214,492</u>	<u>214,471</u>	<u>21</u>
Total expenditures	<u>\$ 25,106,286</u>	<u>\$ 1,651,638</u>	<u>\$ 26,757,924</u>	<u>\$ 26,567,610</u>	<u>\$ 190,314</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF LISBON, MAINE

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Special Revenue Funds	Permanent Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 47,442	\$ 27,746	\$ 75,188
Due from other governments	22,261	-	22,261
Inventory	16,997	-	16,997
Due from other funds	160,326	-	160,326
TOTAL ASSETS	<u>\$ 247,026</u>	<u>\$ 27,746</u>	<u>\$ 274,772</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	5,877	-	5,877
TOTAL LIABILITIES	<u>5,877</u>	<u>-</u>	<u>5,877</u>
FUND BALANCES			
Nonspendable	16,997	1,118	18,115
Restricted	140,733	26,628	167,361
Committed	4,858	-	4,858
Assigned	-	-	-
Unassigned	78,561	-	78,561
TOTAL FUND BALANCES	<u>241,149</u>	<u>27,746</u>	<u>268,895</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 247,026</u>	<u>\$ 27,746</u>	<u>\$ 274,772</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF LISBON, MAINE

COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental	\$ 1,435,749	\$ -	\$ 1,435,749
Charges for services	-	-	-
Investment income	526	203	729
Other income	57,489	-	57,489
TOTAL REVENUES	<u>1,493,764</u>	<u>203</u>	<u>1,493,967</u>
EXPENDITURES			
General government	-	-	-
Public works	-	-	-
Public services and payments	117,265	-	117,265
Education	883,423	-	883,423
Food service	311,378	-	311,378
TOTAL EXPENDITURES	<u>1,312,066</u>	<u>-</u>	<u>1,312,066</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>181,698</u>	<u>203</u>	<u>181,901</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers (out)	(165,000)	-	(165,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(165,000)</u>	<u>-</u>	<u>(165,000)</u>
NET CHANGE IN FUND BALANCES	16,698	203	16,901
FUND BALANCES - JULY 1	<u>224,451</u>	<u>27,543</u>	<u>251,994</u>
FUND BALANCES - JUNE 30	<u>\$ 241,149</u>	<u>\$ 27,746</u>	<u>\$ 268,895</u>

See accompanying independent auditors' report and notes to financial statements.

Special Revenue Funds

Special revenue funds are established to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

TOWN OF LISBON, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

	Recreation Land Use	DARE Program	Moxie Donations	Thanksgiving Donations	Snowmobile Reserve	Sale of Surplus Prop	School Nutrition Program	School Federal and Other Programs	Total
ASSETS									
Cash and cash equivalents	\$ 6,395	\$ 1,915	\$ 39,132	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,442
Accounts receivable, net of allowance	-	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	22,261	-	22,261
Due from other funds	-	31,383	-	-	2,136	17,018	9,449	100,340	160,326
Inventory	-	-	-	-	-	-	16,997	-	16,997
TOTAL ASSETS	\$ 6,395	\$ 33,298	\$ 39,132	\$ -	\$ 2,136	\$ 17,018	\$ 48,707	\$ 100,340	\$ 247,026
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	1,537	-	3,769	571	-	0.00	-	-	5,877
TOTAL LIABILITIES	1,537	-	3,769	571	-	-	-	-	5,877
FUND BALANCES									
Nonspendable	-	-	-	-	-	-	16,997	-	16,997
Restricted	-	33,298	35,363	-	2,136	17,018	31,710	21,208	140,733
Committed	4,858	-	-	-	-	-	-	-	4,858
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	(571)	-	-	-	79,132	78,561
TOTAL FUND BALANCES	4,858	33,298	35,363	(571)	2,136	17,018	48,707	100,340	241,149
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,395	\$ 33,298	\$ 39,132	\$ -	\$ 2,136	\$ 17,018	\$ 48,707	\$ 100,340	\$ 247,026

See accompanying independent auditors' report and notes to financial statements.

TOWN OF LISBON, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Recreation Land Use	DARE Program	Moxie Donations	Thanksgiving Donations	Snowmobile Reserve	Sale of Surplus Prop	School Nutrition Program	School Federal and Other Programs	Total
REVENUES									
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 519,011	\$ 916,738	\$ 1,435,749
Charges for services	-	-	-	-	-	-	-	-	-
Investment income	-	397	-	129	-	-	-	-	526
Other income	-	-	50,503	-	2,136	4,850	-	-	57,489
TOTAL REVENUES	-	397	50,503	129	2,136	4,850	519,011	916,738	1,493,764
EXPENDITURES									
General government	-	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-	-
Public services and payments	8,598	-	25,262	-	-	83,405	-	-	117,265
Education	-	-	-	-	-	-	-	883,423	883,423
Food service	-	-	-	-	-	-	311,378	-	311,378
TOTAL EXPENDITURES	8,598	-	25,262	-	-	83,405	311,378	883,423	1,312,066
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(8,598)	397	25,241	129	2,136	(78,555)	207,633	33,315	181,698
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-	(165,000)	-	(165,000)
TOTAL OTHER SOURCES (USES)	-	-	-	-	-	-	(165,000)	-	(165,000)
NET CHANGE IN FUND BALANCES	(8,598)	397	25,241	129	2,136	(78,555)	42,633	33,315	16,698
FUND BALANCES - JULY 1	13,456	32,901	10,122	(700)	-	95,573	6,074	67,025	224,451
FUND BALANCES - JUNE 30	\$ 4,858	\$ 33,298	\$ 35,363	\$ (571)	\$ 2,136	\$ 17,018	\$ 48,707	\$ 100,340	\$ 241,149

See accompanying independent auditors' report and notes to financial statements.

Permanent Funds

Permanent funds are used to account for assets held by the Town of Lisbon, Maine that are legally restricted pursuant to Title 30-A, §5653 of the Maine State Statutes, as amended, and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the Town or its citizenry. These funds have been established for various purposes including the provision and/or maintenance of the cemeteries.

TOWN OF LISBON, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	Balances Beginning of Year		Revenues		Expenditures	Balances End of Year	
	Principal (Nonspendable)	Unexpended Income	Investment Income	Contributions and Other Receipts	Disbursements	Principal (Nonspendable)	Unexpended Income
Potter Patten Cemetery	\$ 75	\$ 302	\$ 45	\$ -	\$ -	\$ 75	\$ 347
Davis Cemetery Perpetual Care	-	24,051	132	-	-	-	24,183
Curtis Scholarship	413	6	3	-	-	413	9
Maine Research Company Charity Fund	630	2,066	23	-	-	630	2,089
Totals	\$ 1,118	\$ 26,425	\$ 203	\$ -	\$ -	\$ 1,118	\$ 26,628

See accompanying independent auditors' report and notes to financial statements.

TOWN OF LISBON, MAINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor Pass-through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Grantor Number	Expenditures to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
Direct Award:				
Water and Waste Water Direct Loan and Grant	10.760	N/A	\$ -	\$ 231,783
Passed through State of Maine - Department of Education and Cultural Services:				
Child Nutrition Cluster:				
Donated Commodities	10.555	013-6134-05	-	36,766
School Breakfast Program	10.553	013-3014-05	-	81,062
National School Lunch Program	10.555	013-7128-05	-	247,236
Sub-total Child Nutrition Cluster:			-	365,064
Total U.S. Department of Agriculture			-	596,847
U.S. Department of Housing and Urban Development				
Passed through State of Maine - Department of Economic and Community Development:				
Micro-Enterprise Assistance	14.228	N/A	-	41,846
Downtown Revitalization Grant	14.228	N/A	-	245,407
Total U.S. Department of Housing and Urban Development			-	287,253
Environmental Protection Agency				
Direct Award:				
Lisbon Maine Brownfields Assessment Grant	66.818	N/A	-	52,130
Total Environmental Protection Agency			-	52,130
U.S. Department of Education				
Passed through State of Maine - Department of Education and Cultural Services:				
Title IA	84.010	6334	-	428,168
Special Education Cluster (IDEA):				
Special Education Grants to States	84.027	6317	-	342,502
Preschool Grant	84.173	6241	-	4,719
Subtotal Special Education Cluster (IDEA)			-	347,221
Title IIA	84.367	1138	-	60,584
Total U.S. Department of Education			-	835,973
U.S. Department of Justice				
Direct Award				
Bullet Proof Vest Partnership	16.607	N/A	-	618
Total U.S. Department of Justice			-	618
U.S. Department Transportation				
Passed through State of Maine - Bureau of Highway Safety:				
Highway Safety Cluster:				
2018 Evidence Based Impaired Driving	20.600	N/A	-	1,605
2018 HV Distracted Driving Enforcement	20.600	N/A	-	1,029
2018 Click It or Ticket	20.600	N/A	-	1,074
Sub-total Highway Safety Cluster			-	3,708
Total U.S. Department of Transportation			-	3,708
TOTAL FEDERAL ASSISTANCE			\$ -	\$ 1,776,529

TOWN OF LISBON, MAINE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town of Lisbon, Maine under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Lisbon, Maine, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Lisbon, Maine.

2. Summary of Significant Accounting Policies

- a. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. The Town of Lisbon, Maine has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Town Council
Town of Lisbon, Maine

We have audited, in accordance with the 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, each major fund and the aggregate remaining fund information of the Town of Lisbon, Maine, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Lisbon, Maine's basic financial statements and have issued our report thereon dated November 6, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Lisbon, Maine'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 Lisbon, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Lisbon, Maine's internal control.

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 a 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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Lisbon, Maine's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the Town of Lisbon, Maine in a separate letter dated November 6, 2018.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RHR Smith & Company

Buxton, Maine
November 6, 2018



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Town Council
Town of Lisbon, Maine

Report on Compliance for Each Major Federal Program

We have audited Town of Lisbon, Maine's compliance with the types of compliance requirements described in the *OMB Circular Compliance Supplement* that could have a direct and material effect on each of Town of Lisbon, Maine's major federal programs for the year ended June 30, 2018. Town of Lisbon, Maine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Town of Lisbon, Maine's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of Lisbon, Maine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Town of Lisbon, Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Town of Lisbon, Maine 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 Town of Lisbon, Maine's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Town of Lisbon, Maine's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this communication is not suitable for any other purpose.

RHR Smith & Company

Buxton, Maine
November 6, 2018

TOWN OF LISBON, MAINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued : Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no
- Noncompliance material to financial statements noted? yes no

- *Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173	Special Education Cluster (IDEA)
84.010	Title IA

Dollar threshold used to distinguish between type A and B: \$750,000

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

None

Section III – Federal Awards Findings and Questioned Costs

None



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INDEPENDENT AUDITORS' REPORT ON STATE REQUIREMENTS

Town Council
Town of Lisbon, Maine

We have audited the financial statements of the Town of Lisbon for the year ended June 30, 2018 and have issued our report thereon dated November 6, 2018. Our audit was made in accordance with auditing standards generally accepted in the United States of America and applicable state and federal laws relating to financial and compliance audits and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit, we reviewed the budgetary controls that are in place, and have reviewed the annual financial report that was submitted to the Unit for accuracy. In addition we have reviewed the Unit's compliance with applicable provisions of the Maine Finance Act as noted under MRSA Title 20A, section 6051 as we considered necessary in obtaining our understanding.

The results of our procedures indicate that with respect to the items tested, the Town of Lisbon, Maine complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Town of Lisbon, Maine was in noncompliance with, or in violation of, those provisions.

Management has determined that no adjustments were necessary to the fiscal books of the Town and have attached the following schedule as it relates to the reconciliation of audit adjustments to the updated annual financial data submitted to the MEFS financial system maintained at the Unit.

This report is intended solely for the information of the Town Council, management and the Department of Education. This report is not intended to be and should not be used by anyone other than the specified parties.

RHR Smith & Company

Buxton, Maine
November 6, 2018

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TOWN OF LISBON, MAINE

RECONCILIATION OF AUDIT ADJUSTMENTS TO ANNUAL FINANCIAL DATA
 SUBMITTED TO THE MEFS FINANCIAL SYSTEM
 FOR THE YEAR ENDED JUNE 30, 2018

	General Fund (1000)	Special Revenue Funds (2000)	Capital Projects Fund (4000)	Totals
June 30 balance per MEFS financial System	\$ 419,658	\$ 100,340	\$ 10,043	\$ 530,041
Revenue Adjustments:				
Transfer - School Nutrition Program	-	-	-	-
Expenditure Adjustments:				
Reallocation of expenditures from Local Entitlement (IDEA) to General Fund Special Education	-	-	-	-
Other Adjustments:				
Fund Balances Not Reported on MEFS:				
School Capital Fund	-	-	-	-
School Nutrition Program	-	-	-	-
Local Entitlement	-	-	-	-
PWS Fund	-	-	-	-
Unify Grant	-	-	-	-
MELMAC Grant	-	-	-	-
Common Good Grant	-	-	-	-
Maine College Transition Grant	-	-	-	-
Adult Education ITV	-	-	-	-
Transition Proficiency	-	-	-	-
ConnectME	-	-	-	-
Beginning Balance Variance	-	-	-	-
Audit Adjustments	-	-	-	-
Audited GAAP Basis Fund balance June 30	<u>\$ 419,658</u>	<u>\$ 100,340</u>	<u>\$ 10,043</u>	<u>\$ 530,041</u>

Statistical Information

Statistical information includes tables not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Governmental Activities Tax Revenue By Source
- Direct and Overlapping Property Tax Rates
- Principal Property Taxpayers
- Property Tax Levies and Collections
- Ratios of Outstanding Debt by Type
- Ratios of General Fund Bonded Debt Outstanding
- Direct and Overlapping Governmental Activities Debt
- Legal Debt Margin Information
- Demographic Statistics

TOWN OF LISBON, MAINE
 GOVERNMENTAL ACTIVITIES TAX REVENUE BY SOURCE
 LAST TEN FISCAL YEARS
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

Fiscal Year	Property Tax	Excise Tax	Total
2009	\$ 8,908,186	\$ 1,211,212	\$ 10,119,398
2010	9,080,016	1,193,331	10,273,347
2011	9,307,776	1,198,092	10,505,868
2012	9,507,677	1,247,481	10,755,158
2013	9,697,637	1,302,390	11,000,027
2014	10,145,880	1,336,549	11,482,429
2015	11,426,640	1,440,383	12,867,023
2016	10,847,914	1,542,114	12,390,028
2017	11,810,536	1,583,471	13,394,007
2018	11,887,317	1,662,749	13,550,066

TOWN OF LISBON, MAINE
 DIRECT AND OVERLAPPING PROPERTY TAX RATES
 LAST TEN FISCAL YEARS

TOWN OF LISBON, MAINE
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Fiscal Year	Town Rate	Education Rate	Overlapping Rate County Government	Total Tax Rate
2009	40.35%	53.70%	5.95%	100%
2010	41.29%	52.69%	6.02%	100%
2011	38.68%	55.25%	6.07%	100%
2012	38.22%	55.72%	6.06%	100%
2013	40.14%	54.23%	5.63%	100%
2014	39.98%	54.81%	5.21%	100%
2015	43.92%	51.06%	5.02%	100%
2016	42.82%	51.71%	5.47%	100%
2017	42.87%	52.05%	5.08%	100%
2018	43.00%	52.00%	5.00%	100%

TABLE 3

TOWN OF LISBON, MAINE
PRINCIPAL PROPERTY TAXPAYERS
FISCAL YEARS 2018 AND 2005

Taxpayer	2018			Taxpayer	2009		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Miller Hydro	\$ 24,694,950	1	4.72%	Miller Hydro	\$ 18,000,000	1	5.44%
Dingley Press	7,161,600	2	1.37%	Lisbon Acquisition Corp.	6,486,550	2	1.96%
Central Maine Power	7,214,140	3	1.38%	Lisbon Falls Property LLC	3,205,120	3	0.97%
Terra Firma Realty Trust	2,853,710	4	0.55%	Terra Firma Realty Trust	2,437,660	4	0.74%
Maritimes & Northeast	3,762,800	5	0.72%	JMC Farwell Limited	2,189,890	5	0.66%
JMC Farwell Limited	2,890,700	6	0.55%	Central Maine Power Co.	2,076,160	6	0.63%
Heritage Knolls	2,647,900	7	0.51%	Heritage Knolls	2,005,950	7	0.61%
Woodgate	2,345,100	8	0.45%	Woodgate	1,776,570	8	0.54%
Gendron Realty, Inc.	2,148,300	9	0.41%	Gendron Realty, Inc.	1,627,480	9	0.49%
Town & Country Village	1,812,800	10	0.35%	Lisbra, LLC	1,364,580	10	0.41%
Totals	\$ 57,532,000		11.01%	Totals	\$ 41,169,960		12.44%

TOWN OF LISBON, MAINE
PROPERTY TAX LEVIES AND COLLECTIONS
LAST FIVE FISCAL YEARS

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2013	\$ 10,069,383	\$ 9,805,335	98.00%	\$237,373	\$10,042,708	99.70%
2014	10,424,195	10,123,116	97.00%	258,515	10,381,631	99.50%
2015	11,318,242	11,075,822	98.00%	88,125	11,163,946	99%
2016	10,804,471	10,624,948	98.50%	74,368	10,699,316	99%
2017	11,720,997	11,530,149	98.50%	77,372	11,607,521	99%
2018	11,921,940	11,690,524	98.50%	65,826	11,756,350	99%

Source: Tax Collection System

(1) Comprehensive collections information was not compiled in a useful format before 2013.

TABLE 5

TOWN OF LISBON, MAINE

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Business-type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Notes Payable	Capital Leases ⁽¹⁾	General Obligation Bonds	LWD Revenue Bonds			
2009	\$ 13,020,824	\$ 347,996	\$ 382,025	\$ 719,061	\$ -	\$ 14,469,906	7.16%	\$ 1,599
2010	12,992,447	330,251	242,228	660,780	-	14,225,706	7.08%	1,580
2011	12,596,726	312,329	293,435	602,500	-	13,804,990	6.92%	1,544
2012	11,796,804	294,228	473,789	560,000	-	13,124,821	6.38%	1,468
2013	10,693,922	275,946	208,321	517,500	-	11,695,689	5.87%	1,314
2014	9,741,919	257,480	867,610	475,000	-	11,342,009	5.65%	1,284
2015	14,984,632	238,830	3,299,400	432,500	-	18,955,362	9.39%	2,151
2016	13,985,772	219,994	2,982,968	390,000	-	17,578,734	5.41%	1,976
2017	14,253,297	200,969	3,012,126	347,500	-	17,813,892	8.35%	2,012
2018	12,919,679	181,754	2,658,394	305,000	-	16,064,827	7.06%	1,808

Note: Details regarding the Town's outstanding debt may be found in the notes to the financial statements

1. Includes QECB Lease Purchases for General Government and School Department

TOWN OF LISBON, MAINE

RATIOS OF GENERAL FUND BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year	General Obligation Bonds	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2009	\$ 13,739,885	2.192%	\$ 1,518
2010	13,653,227	2.169%	1,517
2011	13,199,226	2.222%	1,477
2012	12,356,804	2.210%	1,382
2013	11,211,422	2.145%	1,260
2014	10,216,919	1.940%	1,157
2015	15,417,132	2.887%	1,750
2016	14,375,772	2.692%	1,616
2017	14,600,797	2.734%	1,649
2018	13,224,679	2.360%	1,488

TOWN OF LISBON, MAINE
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 JUNE 30, 2018

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping Debt:			
Androscoggin County	\$ -	7.00%	\$ -
Lisbon Water Department	2,503,699	100%	2,503,699
Subtotal	<u>\$ 2,503,699</u>		<u>\$ 2,503,699</u>
Town of Lisbon Direct Debt	<u>\$ 16,064,827</u>	100%	<u>\$ 16,064,827</u>
Total Direct and Overlapping Debt	<u>\$ 18,568,526</u>		<u>\$ 18,568,526</u>

The Town is subject to an annual assessment of its proportional share of Androscoggin County's expenses, including debt repayment, as determined by the percentage of the Town's State valuation compared with the County's State valuation. At June 30, 2016, the Town's State valuation was \$529M and County's State valuation was approximately \$7.7B. The ratio makes Lisbon's proportional share approximately 7%. Town's share is 7% of the County's \$184,077 of long-term debt outstanding as of June 30, 2015.

The citizens of Lisbon are totally responsible for the long-term debt incurred by the Lisbon Water Department as they are paying off the debt through the rates charged by the Water Department based on the gallons used. At June 30, 2015, the outstanding bonded debt of the Water Department was \$2.81M.

TABLE 8

TOWN OF LISBON, MAINE
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Assessed value per State	\$ 626,700,000	\$ 629,550,000	\$ 593,950,000	\$ 559,100,000	\$ 522,650,000	\$ 526,600,000	\$ 534,000,000	\$ 536,150,000	\$ 548,411,900	\$ 560,250,000
Total debt limit - all purposes-15% of assessed value	\$ 94,005,000	\$ 94,432,500	\$ 89,092,500	\$ 83,865,000	\$ 78,397,500	\$ 78,990,000	\$ 80,100,000	\$ 80,422,500	\$ 82,261,785	\$ 84,037,500
Less outstanding debt applicable to debt limit	14,087,881	13,983,478	13,511,555	12,651,032	11,487,368	10,474,399	15,655,962	14,279,334	14,514,492	13,406,433
Legal Debt Margin	\$ 79,917,119	\$ 80,449,022	\$ 75,580,945	\$ 71,213,968	\$ 66,910,132	\$ 68,515,601	\$ 64,444,038	\$ 66,143,166	\$ 67,747,293	\$ 70,631,067
Total outstanding debt applicable to the limit as a percentage of debt limit	<u>14.99%</u>	<u>14.81%</u>	<u>15.17%</u>	<u>15.08%</u>	<u>14.65%</u>	<u>13.26%</u>	<u>19.55%</u>	<u>17.76%</u>	<u>17.64%</u>	<u>15.95%</u>
The Debt Limit is restricted by State Statute based on the assessed value per the State and percentage setforth in law.										
Municipal Purposes - 7.5%										
Debt Limit	\$ 47,002,500	\$ 47,216,250	\$ 44,546,250	\$ 41,932,500	\$ 39,198,750	\$ 39,495,000	\$ 40,050,000	\$ 40,211,250	\$ 41,130,893	\$ 42,018,750
Less outstanding debt applicable to debt limit	3,049,050	3,647,913	3,529,233	3,391,217	2,950,038	2,659,554	2,388,888	2,048,532	1,840,961	3,290,174
Debt margin for municipal purposes	\$ 43,953,450.00	\$ 43,568,337.00	\$ 41,017,017.00	\$ 38,541,283.00	\$ 36,248,712.00	\$ 36,835,446.00	\$ 37,661,112.00	\$ 38,162,718.00	\$ 39,289,931.50	\$ 38,728,576.00
Outstanding debt applicable to the limit as a percentage of debt limit for municipal purposes	<u>6.49%</u>	<u>7.73%</u>	<u>7.92%</u>	<u>8.09%</u>	<u>7.53%</u>	<u>6.73%</u>	<u>5.96%</u>	<u>5.09%</u>	<u>4.48%</u>	<u>7.83%</u>
School purposes - 10%										
Debt Limit	\$ 62,670,000	\$ 62,955,000	\$ 59,395,000	\$ 55,910,000	\$ 52,265,000	\$ 52,660,000	\$ 53,400,000	\$ 53,615,000	\$ 54,841,190	\$ 56,025,000
Less outstanding debt applicable to debt limit	10,319,770	9,674,785	9,379,822	8,699,815	8,019,830	7,339,845	12,834,574	11,840,802	12,326,031	9,811,259
Debt margin for school purposes	\$ 52,350,230	\$ 53,280,215	\$ 50,015,178	\$ 47,210,185	\$ 44,245,170	\$ 45,320,155	\$ 40,565,426	\$ 41,774,198	\$ 42,515,159	\$ 46,213,741
Outstanding debt applicable to the limit as a percentage of the debt limit for schools	<u>16.47%</u>	<u>15.37%</u>	<u>15.79%</u>	<u>15.56%</u>	<u>15.34%</u>	<u>13.94%</u>	<u>24.03%</u>	<u>22.08%</u>	<u>22.48%</u>	<u>17.51%</u>
Storm and sanitary sewer purposes - 7.5%										
Debt Limit	\$ 47,002,500	\$ 47,216,250	\$ 44,546,250	\$ 41,932,500	\$ 39,198,750	\$ 39,495,000	\$ 40,050,000	\$ 40,211,250	\$ 41,130,893	\$ 42,018,750
Less outstanding debt applicable to debt limit	719,061	660,780	602,500	560,000	517,500	475,000	432,500	390,000	347,500	305,000
Debt margin for sewer purposes	\$ 46,283,439	\$ 46,555,470	\$ 43,943,750	\$ 41,372,500	\$ 38,681,250	\$ 39,020,000	\$ 39,617,500	\$ 39,821,250	\$ 40,783,393	\$ 41,713,750
Outstanding debt applicable to the limit as a percentage of debt limit for sewer purposes	<u>1.53%</u>	<u>1.40%</u>	<u>1.35%</u>	<u>1.34%</u>	<u>1.32%</u>	<u>1.20%</u>	<u>1.08%</u>	<u>0.97%</u>	<u>0.84%</u>	<u>0.73%</u>
Maximum total debt limit - 15%	\$ 94,005,000	\$ 94,432,500	\$ 89,092,500	\$ 83,865,000	\$ 78,397,500	\$ 78,990,000	\$ 80,100,000	\$ 80,422,500	\$ 82,261,785	\$ 84,037,500

TABLE 9

TOWN OF LISBON, MAINE
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Population	Personal Income (000's)	Per Capita Income ⁽¹⁾	Median Age ⁽¹⁾	Years of Formal Schooling ⁽¹⁾	School Enrollment ⁽²⁾	Unemployment Rate ⁽³⁾
2009	9051	\$ 2,020,002	\$ 22,318	36	12.2	1276	8.1
2010	9003	2,009,290	22,318	38	12.2	1336	8.6
2011	8939	1,995,006	22,318	40	12.2	1354	7.2
2012	8943	2,058,053	23,013	41	12.2	1325	7.1
2013	8898	1,991,372	22,380	41	12.2	1262	5.9
2014	8833	2,005,798	22,708	41	12.2	1283	4.9
2015	8811	2,017,983	22,903	41	12.2	1243	3.4
2016	8895	3,249,788	36,535	39	12.2	1294	3.2
2017	8853	2,132,776	24,091	40	12.2	1298	3.1
2018	8886	2,275,083	25,603	40	12.2	1265	3.2

1. U.S. Census Bureau, 2010 population data; Maine Department of Policy and Management; Bureau of Labor Statistics; and Bureau of Economic Analysis

2. Lisbon School Department

3. Maine Department of Labor; Bureau of Labor Statistics; and Bureau of Economic Analysis