

Federal Compliance Audit

Town of Lisbon, Maine

June 30, 2016



Proven Expertise and Integrity



TOWN OF LISBON, MAINE

Diane Barnes, Town Manager

Lydia Colston, CPA, Finance Director

January 31, 2017

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, 2016, 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, 2016 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 not a reasonable basis for rendering an unmodified opinion that the Town of Lisbon's financial statements for the fiscal year ended June 30, 2016 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 8,883 based on 2014 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.

As of 2014, the town's largest employer is Dingley Press. According to the company's Website, Dingley employs approximately 500 people achieving \$100 million in sales. According to information in the public domain, Dingley Press is the fifth largest catalogue printer in the United States with a presence in both print and digital media. Other services provided by the company include co-distribution and mailing services.

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.

Lisbon is known as primarily a residential town, however with the close proximity to the Lewiston/Auburn I-95 and the Portland and Mid-Coast I-295 regions of Maine, there has been an increase in the development of new businesses including: Blue Ox Malthouse, Bev's Ceramics, Eastcraft Boutique & Bazaar, Frosty's Donuts, Attic Thrift Shop, Gearheads Garage LLC and Elevated Performance.

Lisbon is also seeing new development in housing with sub-division units as well as a new 4 building, 12 unit apartment complex (48 units) and 33 new home lots, which will begin construction spring of 2017.

2014 data provided by the Bureau of Labor Statistic, Bureau of the Census and Maine Office Policy Analysis indicates that approximately 48% of the Town's population over the age of 16 is employed. This is slightly below the countywide average of 49.9% and the State average of 48.7%. Employment in business, science, or arts accounted

for 27% of the work force employment; 34% in either office, sales, or retail services; and about 39% in service, construction, transportation and other similar positions.

The Town's 2016 unemployment rate, provided by the Maine Department of Employment Security – Economic Information Division, (not adjusted for seasonal employment) of 3.2% is slightly less than the statewide rate of 3.8% and the national average of 4.4%.

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, general obligation debt remains at 4.1% of taxable valuation.

In 2014, of the fourteen communities comprising Androscoggin County, Lisbon accounted for 3.6% (\$40.9M) of all taxable retail sales recorded in the county and .2% statewide. Two communities, Lewiston and Auburn accounted for 84% of total taxable retail sales in Androscoggin County in 2014. However, the 2014 statistics are positive for Lisbon as there was a very modest uptick in sales. Unadjusted for inflation, the increase amounted approximately 5.45% or \$2.1 million in sales.

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, 2016. 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, 2016

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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, 2016, 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, 2015 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, 2016, 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 and pension information on pages 4 through 16 and 71 through 74 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 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 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 January 17, 2017, 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
January 17, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

(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, 2016. 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 17 through 19 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 eight columns in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The Town's major governmental funds are the general fund, loan program fund, school capital fund, gym bond fund, track bond fund, school QZAB/QECB fund, and town QECB fund. All other funds are shown as nonmajor and are combined in the "Nonmajor 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 20 through 23 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, 2016.

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 24 through 26 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 27 and 28 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 29 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 and Notes to Required Supplementary Information. Required supplementary information can be found on pages 71 through 74 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 76 through 85 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, 2016.

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

	Governmental Activities		Business-type Activities	
	6/30/2016	6/30/2015	12/31/2015	12/31/2014 (Restated)
Assets:				
Current Assets	\$ 8,228,733	\$ 11,953,425	\$ 1,182,904	\$ 1,212,347
Capital Assets	27,545,002	28,323,236	6,101,862	6,154,617
Total Assets	<u>35,773,735</u>	<u>40,276,661</u>	<u>7,284,766</u>	<u>7,366,964</u>
Deferred Outflows of Resources:				
Deferred Outflows Related to Pensions	1,581,731	833,800	88,166	15,994
Total Deferred Outflows of Resources	<u>1,581,731</u>	<u>833,800</u>	<u>88,166</u>	<u>15,994</u>
Liabilities:				
Current Liabilities	3,217,845	4,363,273	288,739	382,234
Long-term Debt Outstanding	18,341,891	18,423,503	2,899,784	3,061,849
Total Liabilities	<u>21,559,736</u>	<u>22,786,776</u>	<u>3,188,523</u>	<u>3,444,083</u>
Deferred Inflows of Resources:				
Prepaid Taxes	33,729	34,645	-	-
Deferred Revenue	-	29,482	-	-
Regulatory Reserves	-	-	292,208	274,308
Deferred Inflows Related to Pensions	1,109,341	1,118,343	76,261	68,871
Total Deferred Inflows of Resources	<u>1,143,070</u>	<u>1,182,470</u>	<u>368,469</u>	<u>343,179</u>
Net Position:				
Net Investment in Capital Assets	10,256,268	9,370,945	3,103,147	2,911,801
Restricted	1,888,616	5,515,591	-	-
Unrestricted	2,507,776	2,254,679	712,793	685,805
Total Net Position	<u>\$ 14,652,660</u>	<u>\$ 17,141,215</u>	<u>\$ 3,815,940</u>	<u>\$ 3,597,606</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 \$14,652,660 at June 30, 2016.

The largest portion of the Town's net position (70.00%) 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 (12.89%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$2,507,776 and 17.11% 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 year ended June 30, 2016 and 2015.

The Town's governmental net position decreased \$2,488,555 during the fiscal year ended June 30, 2016. Governmental current assets decreased \$3,724,692 which reflects decreases in cash and investment balances. Capital assets decreased \$778,234 reflecting purchases of \$761,258, net disposals of \$64,000 and depreciation expense of \$1,475,492. Long term liabilities decreased \$81,612. Restricted fund balances decreased \$2,653,290 and unrestricted fund balances increased \$512,733.

The Town's total business-type net position increased by \$218,334 from \$3,597,606 to \$3,815,940. Unrestricted net position for business-type activities increased to a balance of \$712,793.

For more detailed information, see the Statement of Net Position on page 17.

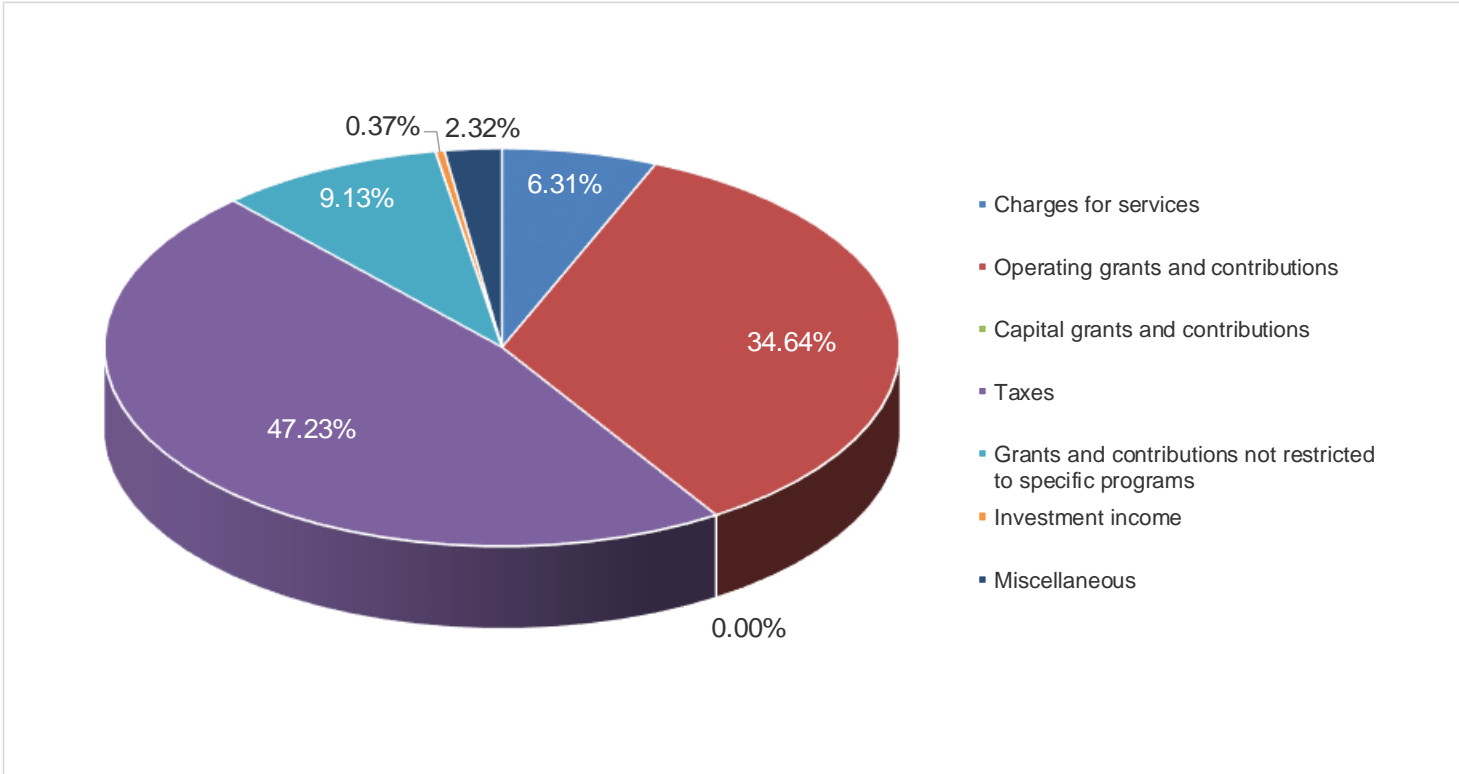
Revenues and Expenses

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

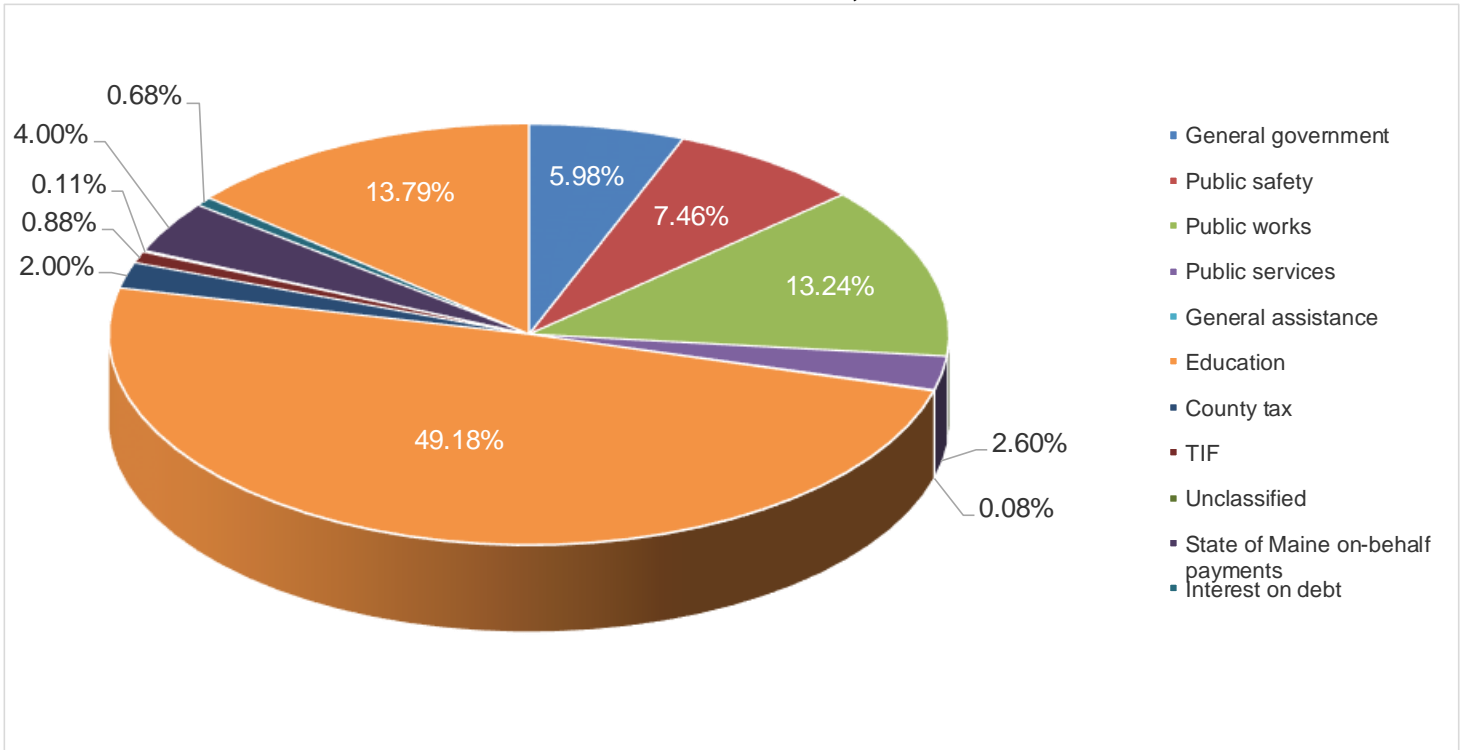
	Governmental Activities		Business-type Activities	
	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Revenues				
<i>Program Revenues:</i>				
Charges for services	\$ 1,662,347	\$ 1,978,440	\$ 1,017,963	\$ 867,558
Operating grants and contributions	10,322,295	11,358,180	-	-
Capital grants and contributions	-	594,818	-	-
<i>General Revenues:</i>				
Taxes	12,433,158	12,765,924	-	-
Grants and contributions not restricted to specific programs	2,402,626	1,100,289	-	-
Investment income	96,750	19,074	-	-
Miscellaneous	610,418	167,880	86,846	68,639
Total Revenues	<u>27,527,594</u>	<u>27,984,605</u>	<u>1,104,809</u>	<u>936,197</u>
Expenses				
General government	1,794,571	2,262,805	-	-
Public safety	2,237,724	1,754,769	-	-
Public works	3,973,457	4,516,768	-	-
Public services	780,797	559,542	-	-
General assistance	24,362	26,549	-	-
Education	14,761,608	15,627,821	-	-
County tax	600,621	559,592	-	-
TIF	264,897	279,566	-	-
Unclassified	34,097	494,022	-	-
Water department	-	-	886,475	825,207
State of Maine on-behalf payments	1,201,884	1,401,144	-	-
Interest on debt	204,275	25,405	-	-
Capital outlay	4,137,856	97,874	-	-
Total Expenses	<u>30,016,149</u>	<u>27,605,857</u>	<u>886,475</u>	<u>825,207</u>
Change in Net Position	(2,488,555)	378,748	218,334	110,990
Net Position - July 1, Restated	<u>17,141,215</u>	<u>16,762,467</u>	<u>3,597,606</u>	<u>3,486,616</u>
Net Position - June 30	<u>\$ 14,652,660</u>	<u>\$ 17,141,215</u>	<u>\$ 3,815,940</u>	<u>\$ 3,597,606</u>

**Town of Lisbon, Maine
Revenues Pie Chart
For the Year Ended June 30, 2016**



Charges for services are primarily comprised of police and dispatch, animal control and school services. Taxes of \$12,433,158 decreased \$332,766 during fiscal year 2016 from the period ending June 30, 2015. 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, 2016**



The Town's expenses totaled \$30,016,149 for fiscal year ended June 30, 2016 as compared to \$ 27,605,857 for the period ended June 30, 2015. Education accounts for the majority of expenses representing 49.18% of the total for fiscal year 2016. Public safety expenses related to the operations of the Police Department and Fire Department accounted for 7.46% of the total and Public Works expenses accounted for 13.24% of the total.

Revenues for the Department's water activities increased by 18.01%, while total expenses increased by 7.43%. The increase in revenues was primarily due to an increase in fees for service. 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, 2016, the governmental funds had a combined fund balance of \$6,451,621. This reflects a decrease from the prior year fund balance of \$3,186,816. The General Fund, which is the main operating fund of the Town of Lisbon, reported a current year increase \$814,287 in fund balance. The other major fund balances decreased by \$4,161,275. The nonmajor fund balances increased by \$160,172. General fund revenues of \$23,566,238 were \$283,349 higher than budget. Property taxes of \$10,847,914 were \$43,444 higher than budget. Excise tax revenues of \$1,542,114 were \$202,114 greater than budget with stronger than anticipated automobile sales. Investment income was \$6,928 higher than budget.

The Town's operating expenditures of \$22,507,992 were \$1,419,720 less than budget. The Town has continued its' efforts to reduce expenditures wherever possible throughout the year. General government expenditures of \$1,434,354 were \$116,334 lower than budget. Public safety expenditures of \$2,110,269 were under budget by \$138,230. Public works expenditures of \$2,320,658 were under budget by \$150,887 and education expenses amounting to \$14,453,857 were also under budget by \$704,867.

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 \$246,863.

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

	<u>2016</u>	<u>2015</u>
Major Funds:		
General Fund:		
Nonspendable	\$ 22,301	\$ 29,295
Restricted	829,973	351,389
Assigned	453,514	623,550
Unassigned	2,755,162	2,242,429
Total General Fund	<u>4,060,950</u>	<u>3,246,663</u>
Loan Program:		
Nonspendable	325,282	283,931
Committed	663,131	710,953
School Capital Fund:		
Committed	111,485	110,109
Gym Bond Fund:		
Restricted	135,274	3,085,170
Track Bond Fund:		
Restricted	-	48,895
Unassigned	-	-
School QZAB/QECB Fund:		
Restricted	19,201	945,064
Town QECB Fund:		
Restricted	-	231,526
Total Major Funds	<u>\$ 1,254,373</u>	<u>\$ 5,415,648</u>
Nonmajor Funds:		
Special Revenue Funds:		
Nonspendable	\$ 16,997	\$ 21,752
Restricted	214,879	116,666
Committed	878,264	829,953
Unassigned	-	(18,173)
Permanent Funds:		
Nonspendable	705	705
Restricted	25,453	25,223
Total Nonmajor Funds	<u>\$ 1,136,298</u>	<u>\$ 976,126</u>

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2016, the net book value of capital assets recorded by the Town decreased by \$778,234. This increase was a result of capital additions of \$761,258 less net disposals of \$64,000 and current year depreciation expense of \$1,475,492.

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

	Governmental Activities	
	6/30/2016	6/30/2015
Land and improvements	\$ 1,048,575	\$ 1,048,575
Construction in progress	4,431,891	4,495,891
Buildings and improvements	10,908,498	11,301,514
Equipment and vehicles	2,528,171	2,637,590
Infrastructure	8,627,867	8,839,666
Total	\$ 27,545,002	\$ 28,323,236

	Business-type Activities	
	12/31/2015	12/31/2014
Water fund	\$ 6,101,862	\$ 6,154,617
Total	\$ 6,101,862	\$ 6,154,617

Debt

As of June 30, 2016, the Town had a total of \$20,084,983 of long-term obligations outstanding. Of this amount, \$14,305,766 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 \$5,410,928 and \$450,000 are solely the responsibility of the Town of Lisbon's taxpayers.

Included in long-term debt outstanding at the end of 2016 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	
	6/30/2016	6/30/2015	12/31/2015	12/31/2014
General obligation bonds	\$ 14,305,766	\$ 15,655,962	\$ 2,998,715	\$ 3,242,816
Capital leases payable	2,982,968	3,296,329	-	-
Accrued compensated absences	542,679	549,751	14,582	15,422
Net pension liability	2,253,570	1,259,373	139,892	56,539
Total	<u>\$ 20,084,983</u>	<u>\$ 20,761,415</u>	<u>\$ 3,153,189</u>	<u>\$ 3,314,777</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 (\$458,010,590). Per the Town's revenue policy, long term debt will only be used to finance long-lived capital and operating assets. In September of 2014, the Town of Lisbon issued tax exempt bonds amounting to \$6,195,714 through the Maine Municipal Bond Bank. Standard & Poor's assigned an AA+ to the general obligation bonds.

Economic Factors and Next Year's Budgets and Rates

The financial results for the year ended June 30, 2016, 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 2016 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 2016-2017 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.
- Anticipated revenues earmarked for the Lisbon Public Safety Communications Center are uncertain. Two of the three participating towns are seeking other alternatives. In 2015-2016, a total of \$66,927 had been budgeted for revenue coming from the three Towns participating in the cost of Communications Center. The revenue loss could amount to about \$22,000 or a 33% decrease.
- The Police Department's Field Operations budgeted revenues were revised downward by \$58,225. This a loss of funding from the School Department for reimbursing the costs of School Resources Officers. The funding outlook for the next budget year is uncertain.
- General government is forecasting an additional \$200,000 increase beyond its normal operating budget to pay for the cost of introducing natural gas to the Town of Lisbon. The additional budget request will be used for infrastructure improvements to support the initiative.

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, 2016

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,482,725	\$ 510,481	\$ 6,993,206
Note receivable	347,583	-	347,583
Accounts receivable (net of allowance for uncollectibles):			
Taxes	77,664	-	77,664
Liens	235,569	-	235,569
Other	333,963	70,042	404,005
Accrued revenue	-	114,982	114,982
Inventory	-	46,614	46,614
Prepaid items	-	4,613	4,613
Due from other governments	734,232	-	734,232
Inventory	16,997	-	16,997
Total current assets	<u>8,228,733</u>	<u>746,732</u>	<u>8,975,465</u>
Noncurrent assets:			
Capital assets			
Land and other assets not being depreciated	5,480,466	-	5,480,466
Buildings, equipment, vehicles and infrastructure, net of accumulated depreciation	22,064,536	6,101,862	28,166,398
Total noncurrent assets	<u>27,545,002</u>	<u>6,101,862</u>	<u>33,646,864</u>
Other assets:			
Restricted cash	-	397,348	397,348
Unamortized bond issuance costs	-	38,824	38,824
Total other assets	<u>-</u>	<u>436,172</u>	<u>436,172</u>
TOTAL ASSETS	<u>35,773,735</u>	<u>7,284,766</u>	<u>43,058,501</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	1,581,731	88,166	1,669,897
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,581,731</u>	<u>88,166</u>	<u>1,669,897</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 37,355,466</u>	<u>\$ 7,372,932</u>	<u>\$ 44,728,398</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 205,716	\$ 1,064	\$ 206,780
Customer deposits	-	169	169
Payroll related liabilities	1,269,037	-	1,269,037
Accrued interest	-	13,562	13,562
Advanced billing and payments	-	4,166	4,166
Accrued payroll	-	16,373	16,373
Current portion of long-term obligations	1,743,092	253,405	1,996,497
Total current liabilities	<u>3,217,845</u>	<u>288,739</u>	<u>3,506,584</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	12,954,266	2,752,398	15,706,664
Capital leases payable	2,727,045	-	2,727,045
Accrued compensated absences	407,010	7,494	414,504
Net pension liability	2,253,570	139,892	2,393,462
Total noncurrent liabilities	<u>18,341,891</u>	<u>2,899,784</u>	<u>21,241,675</u>
TOTAL LIABILITIES	<u>21,559,736</u>	<u>3,188,523</u>	<u>24,748,259</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	33,729	-	33,729
Regulatory reserves	-	292,208	292,208
Deferred inflows related to pensions	1,109,341	76,261	1,185,602
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,143,070</u>	<u>368,469</u>	<u>1,511,539</u>
NET POSITION			
Net investment in capital assets	10,256,268	3,103,147	13,359,415
Restricted	1,888,616	-	1,888,616
Unrestricted	2,507,776	712,793	3,220,569
TOTAL NET POSITION	<u>14,652,660</u>	<u>3,815,940</u>	<u>18,468,600</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 37,355,466</u>	<u>\$ 7,372,932</u>	<u>\$ 44,728,398</u>

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

TOWN OF LISBON, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Primary Government		
				Governmental Activities	Business - type Activities	Total
Governmental activities:						
General government	\$ 1,794,571	\$ 146,209	\$ -	\$ (1,648,362)		\$ (1,648,362)
Public safety	2,237,724	195,776	-	(2,041,948)		(2,041,948)
Public works	3,973,457	1,128,650	96,712	(2,748,095)		(2,748,095)
Public services	780,797	164,892	-	(615,905)		(615,905)
General assistance	24,362	-	10,475	(13,887)		(13,887)
Education	14,761,608	25,471	9,013,224	(5,722,913)		(5,722,913)
County tax	600,621	-	-	(600,621)		(600,621)
TIF	264,897	-	-	(264,897)		(264,897)
Unclassified	34,097	1,349	-	(32,748)		(32,748)
State of Maine on-behalf payments	1,201,884	-	1,201,884	-		-
Interest on debt	204,275	-	-	(204,275)		(204,275)
Capital outlay	4,137,856	-	-	(4,137,856)		(4,137,856)
Total government	\$ 30,016,149	\$ 1,662,347	\$ 10,322,295	(18,031,507)		(18,031,507)
Business-type activities:						
Water fund	886,475	1,068,603	-	-	\$ 182,128	182,128
Total business-type activities	886,475	1,068,603	-	-	182,128	182,128
Total primary government	\$ 886,475	\$ 2,730,950	\$ 10,322,295	(18,031,507)	182,128	(17,849,379)

STATEMENT B (CONTINUED)

TOWN OF LISBON, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Governmental Activities	Business-type Activities	Total
Changes in net position:			
Net (expense) revenue	(18,031,507)	182,128	(17,849,379)
General revenues:			
Taxes:			
Property taxes, levied for general purposes	10,891,044	-	10,891,044
Excise taxes	1,542,114	-	1,542,114
Grants and contributions not restricted to specific programs	2,402,626	4,500	2,407,126
Investment income	96,750	2,924	99,674
Miscellaneous	610,418	28,782	639,200
Total general revenues	<u>15,542,952</u>	<u>36,206</u>	<u>15,579,158</u>
Change in net position	(2,488,555)	218,334	(2,270,221)
NET POSITION - JULY 1, RESTATED	<u>17,141,215</u>	<u>3,597,606</u>	<u>20,738,821</u>
NET POSITION - JUNE 30	<u>\$ 14,652,660</u>	<u>\$ 3,815,940</u>	<u>\$ 18,468,600</u>

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

TOWN OF LISBON, MAINE

BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Loan Program Fund	School Capital Fund	Gym Bond Fund	Track Bond Fund	School QZAB/QECB Fund	Town QECB Fund	Nonmajor Funds	Total Governmental Funds
ASSETS									
Cash and cash equivalents	\$ 5,330,139	\$ 893,670	\$ -	\$ 201,511	\$ 5,012	\$ 19,201	\$ -	\$ 33,192	\$ 6,482,725
Accounts receivable (net of allowance for uncollectibles):									
Taxes	77,664	-	-	-	-	-	-	-	77,664
Liens	235,569	-	-	-	-	-	-	-	235,569
Other	120,027	-	-	-	-	-	-	213,936	333,963
Notes, net of allowance of \$201,416	22,301	325,282	-	-	-	-	-	-	347,583
Due from other governments	723,336	-	-	-	-	-	-	10,896	734,232
Inventory	-	-	-	-	-	-	-	16,997	16,997
Due from other funds	301,788	-	111,485	-	-	-	-	861,277	1,274,550
TOTAL ASSETS	\$ 6,810,824	\$ 1,218,952	\$ 111,485	\$ 201,511	\$ 5,012	\$ 19,201	\$ -	\$ 1,136,298	\$ 9,503,283
LIABILITIES									
Accounts payable	\$ 205,716	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 205,716
Accrued payroll and related items	1,269,037	-	-	-	-	-	-	-	1,269,037
Due to other funds	972,762	230,539	-	66,237	5,012	-	-	-	1,274,550
TOTAL LIABILITIES	2,447,515	230,539	-	66,237	5,012	-	-	-	2,749,303
DEFERRED INFLOWS OF RESOURCES									
Prepaid taxes	33,729	-	-	-	-	-	-	-	33,729
Deferred revenue - property taxes	268,630	-	-	-	-	-	-	-	268,630
TOTAL DEFERRED INFLOWS OF RESOURCES	302,359	-	-	-	-	-	-	-	302,359
FUND BALANCES									
Nonspendable	22,301	325,282	-	-	-	-	-	17,702	365,285
Restricted	829,973	663,131	-	135,274	-	19,201	-	240,332	1,887,911
Committed	-	-	111,485	-	-	-	-	878,264	989,749
Assigned	453,514	-	-	-	-	-	-	-	453,514
Unassigned	2,755,162	-	-	-	-	-	-	-	2,755,162
TOTAL FUND BALANCES	4,060,950	988,413	111,485	135,274	-	19,201	-	1,136,298	6,451,621
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 6,810,824	\$ 1,218,952	\$ 111,485	\$ 201,511	\$ 5,012	\$ 19,201	\$ -	\$ 1,136,298	\$ 9,503,283

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, 2016

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 6,451,621
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	27,545,002
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	268,630
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	1,581,731
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(14,305,766)
Capital leases payable	(2,982,968)
Accrued compensated absences	(542,679)
Net pension liability	(2,253,570)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	<u>(1,109,341)</u>
Net position of governmental activities	<u><u>\$ 14,652,660</u></u>

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

STATEMENT E

TOWN OF LISBON, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Loan Program Fund	School Capital Fund	Gym Bond Fund	Track Bond Fund	School QZAB/QECB Fund	Town QECB Fund	Nonmajor Funds	Total Governmental Funds
REVENUES									
Taxes:									
Property	\$ 10,847,914	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,847,914
Excise	1,542,114	-	-	-	-	-	-	-	1,542,114
Licences and permits	63,765	-	-	-	-	-	-	-	63,765
Intergovernmental	11,175,743	-	-	-	-	-	-	1,191,299	12,367,042
Investment income	15,928	14,994	-	-	-	-	-	238	31,160
Interest income	65,590	-	-	-	-	-	-	-	65,590
Charges for services	525,615	-	-	-	-	-	-	1,136,732	1,662,347
Other income	380,925	1,349	-	-	-	-	-	164,379	546,653
TOTAL REVENUES	24,617,594	16,343	-	-	-	-	-	2,492,648	27,126,585
EXPENDITURES									
Current:									
General government	1,434,354	-	-	-	-	-	-	22,693	1,457,047
Public safety	2,110,269	-	-	-	-	-	-	-	2,110,269
Public works	2,320,658	-	-	-	-	-	-	957,961	3,278,619
Public services	747,241	22,814	-	-	-	-	-	10,742	780,797
General assistance	24,362	-	-	-	-	-	-	-	24,362
Education	14,453,857	-	-	-	-	-	-	1,176,080	15,629,937
County tax	600,621	-	-	-	-	-	-	-	600,621
TIF	264,897	-	-	-	-	-	-	-	264,897
Unclassified	34,097	-	-	-	-	-	-	-	34,097
State of Maine on-behalf payments	844,005	-	-	-	-	-	-	-	844,005
Capital outlay	658,259	-	28,624	2,926,842	-	925,863	231,526	-	4,771,114
Debt service - Town	517,636	-	-	-	-	-	-	-	517,636
TOTAL EXPENDITURES	24,010,256	22,814	28,624	2,926,842	-	925,863	231,526	2,167,476	30,313,401
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	607,338	(6,471)	(28,624)	(2,926,842)	-	(925,863)	(231,526)	325,172	(3,186,816)
OTHER FINANCING SOURCES (USES)									
Transfers in	236,949	-	30,000	16,889	-	-	-	-	283,838
Transfers (out)	(30,000)	-	-	(39,943)	(48,895)	-	-	(165,000)	(283,838)
TOTAL OTHER FINANCING SOURCES (USES)	206,949	-	30,000	(23,054)	(48,895)	-	-	(165,000)	-
NET CHANGE IN FUND BALANCES	814,287	(6,471)	1,376	(2,949,896)	(48,895)	(925,863)	(231,526)	160,172	(3,186,816)
FUND BALANCES - JULY 1	3,246,663	994,884	110,109	3,085,170	48,895	945,064	231,526	976,126	9,638,437
FUND BALANCES - JUNE 30	\$ 4,060,950	\$ 988,413	\$ 111,485	\$ 135,274	\$ -	\$ 19,201	\$ -	\$ 1,136,298	\$ 6,451,621

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, 2016

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (3,186,816)</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	761,258
Capital asset disposals	(64,000)
Depreciation expense	(1,475,492)
	<u>(778,234)</u>
Revenues in the Statement of Activities that do not provide current financial resources as revenues in the funds:	
Taxes and liens receivable	<u>43,130</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>747,931</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>1,663,557</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>9,002</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	7,072
Net pension liability	(994,197)
	<u>(987,125)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ (2,488,555)</u></u>

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

TOWN OF LISBON, MAINE

STATEMENT OF NET POSITION – PROPRIETARY FUNDS
JUNE 30, 2016

	Enterprise Funds Water Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 510,481
Accounts receivable (net of allowance for uncollectibles)	70,042
Accrued revenue	114,982
Inventory	46,614
Prepaid items	4,613
Total current assets	<u>746,732</u>
Noncurrent assets:	
Property, plant and equipment	8,925,964
Total capital assets	<u>8,925,964</u>
Less: accumulated depreciation	<u>(2,824,102)</u>
Net capital assets	<u>6,101,862</u>
Other assets:	
Restricted cash	397,348
Unamortized bond issuance costs	38,824
Total other assets	<u>436,172</u>
TOTAL ASSETS	<u>7,284,766</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	88,166
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>88,166</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 7,372,932</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 1,064
Customer deposits	169
Accrued interest	13,562
Advanced billing and payments	4,166
Accrued payroll	16,373
Current portion of long-term liabilities	253,405
Total current liabilities	<u>288,739</u>
Noncurrent liabilities:	
Bonds payable	2,752,398
Accrued compensated absences	7,494
Net pension liability	139,892
Total noncurrent liabilities	<u>2,899,784</u>
TOTAL LIABILITIES	<u>3,188,523</u>
DEFERRED INFLOWS OF RESOURCES	
Regulatory reserves	292,208
Deferred inflows related to pensions	76,261
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>368,469</u>
NET POSITION	
Net investment in capital assets	3,103,147
Unrestricted	712,793
TOTAL NET POSITION	<u>3,815,940</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 7,372,932</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
 JUNE 30, 2016

	Enterprise Funds
	Water Fund
OPERATING REVENUES	
Residential	\$ 574,372
Commercial	70,299
Industrial	405
Public Authorities	25,348
Public Fire Protection	325,733
Private Fire Protection	21,806
Miscellaneous income	28,782
TOTAL OPERATING REVENUES	1,046,745
OPERATING EXPENSES	
Salaries and benefits	364,036
Power	32,808
Materials and supplies	30,433
Contractual services	109,779
Transportation	11,635
Insurance	17,963
Rate case expense	1,625
Depreciation and amortization	210,323
Miscellaneous expenses	21,280
TOTAL OPERATING EXPENSES	799,882
OPERATING INCOME (LOSS)	246,863
NON-OPERATING REVENUES (EXPENSES)	
Interest income	2,924
Intergovernmental revenue	4,500
Rental income	50,640
Interest expense	(82,093)
Grant expense	(4,500)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(28,529)
CHANGE IN NET POSITION	218,334
NET POSITION - JANUARY 1, RESTATED	3,597,606
NET POSITION - DECEMBER 31	\$ 3,815,940

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

TOWN OF LISBON, MAINE

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Enterprise Funds
	<u>Water Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,001,999
Other receipts	28,782
Payments to employees	(327,932)
Payments to suppliers	(232,617)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>470,232</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(153,637)
Principal paid on capital debt	(244,101)
Interest paid on capital debt	(83,393)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(481,131)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	2,924
Rental income	50,640
(Increase) decrease in restricted cash	48,516
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>102,080</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	91,181
CASH AND CASH EQUIVALENTS - JANUARY 1	<u>419,300</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31	<u>\$ 510,481</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ 246,863
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation and amortization expense	210,323
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
(Increase) decrease in accounts receivable	69,610
(Increase) decrease in accrued revenue	(4,431)
(Increase) decrease in inventory	3,709
(Increase) decrease in prepaid expenses	(711)
(Increase) decrease in deferred outflows related to pensions	(72,172)
Increase (decrease) in accounts payable	(27,992)
Increase (decrease) in customer deposits	169
Increase (decrease) in advanced billing and payments	(81,312)
Increase (decrease) in accrued payroll	16,373
Increase (decrease) in net pension liability	83,353
Increase (decrease) in accrued compensated absences	(840)
Increase (decrease) in regulatory reserves	17,900
Increase (decrease) in deferred inflows related to pensions	9,390
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 470,232</u>

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

TOWN OF LISBON, MAINE

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2016

	Private- purpose Trust Funds	<u>Agency Funds</u> Student Activities
ASSETS		
Cash and cash equivalents	\$ 151,911	\$ 136,276
TOTAL ASSETS	<u>\$ 151,911</u>	<u>\$ 136,276</u>
LIABILITIES		
Held on behalf of others	\$ -	\$ 136,276
TOTAL LIABILITIES	<u>-</u>	<u>\$ 136,276</u>
NET POSITION		
Restricted - held in trust	<u>\$ 151,911</u>	

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

TOWN OF LISBON, MAINE

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Private- purpose Trust</u>
ADDITIONS	
Contributions	\$ 9,320
Investment earnings	<u>1,261</u>
TOTAL ADDITIONS	<u>10,581</u>
DEDUCTIONS	
Scholarships	<u>15,348</u>
TOTAL DEDUCTIONS	<u>15,348</u>
CHANGE IN NET POSITION	(4,767)
NET POSITION - JULY 1	<u>156,678</u>
NET POSITION - JUNE 30	<u><u>\$ 151,911</u></u>

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

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016. 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, 2015. The amounts included in the Town's 2016 financial statements for the Water Department are as of and for the year ended December 31, 2015.

Implementation of New Accounting Standards

During the year ended June 30, 2016, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 72, "*Fair Value Measurement and Application*". The objective of the Statement is to expand comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will improve fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

measurements on a government's financial position. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*". The objective of the Statement is to improve financial reporting by instituting a single framework for the presentation of information about pensions, thereby expanding the comparability of pension-related information reported by state and local governments. Management has determined that this Statement is not applicable.

Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*". The objective of this Statement is to identify-in the context of the current governmental financial reporting environment-the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 79, "*Certain External Investment Pools and Pool Participants*". This Statement establishes specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share.

This Statement also establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. 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, 2016

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 governmental. All the Town's activities are categorized as governmental.

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.). 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.

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,

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.
- d. The Gym Bond Fund is used to account for unspent bond proceeds to be used for school gym renovations.
- e. The Track Bond Fund is used to account for unspent bond proceeds to be used for the Lisbon High School track renovations.
- f. The School QZAB/QECB Fund is used to account for unspent lease proceeds to be used for energy improvements at various school buildings.
- g. The Town QECB Fund is used to account for unspent lease proceeds to be used for energy improvements at various town buildings.

Nonmajor Funds:

- h. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- i. 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 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.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Revenues per budgetary basis	\$23,566,238
Add: On-behalf payments	844,005
Revenues in carryforward accounts	207,351
Transfers in	<u>236,949</u>
Total GAAP basis	<u>\$24,854,543</u>
Expenditures per budgetary basis	\$22,507,992
Add: On-behalf payments	844,005
Expenditures in carryforward accounts	658,259
Transfers out	<u>30,000</u>
Total GAAP basis	<u>\$24,040,256</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.
4. The Town does not adopt budgets for Special Revenue Funds.

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.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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, 2016

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.

Allowance for Uncollectible Accounts

The allowance for uncollectible accounts is estimated to be \$201,416 as of June 30, 2016.

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

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2015, cash received from the bond issues by the Lisbon Water Department totaling \$397,348 was unspent and restricted.

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, 2016, the Town's liability for compensated absences is \$557,261.

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

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition - Property Taxes - Modified Accrual Basis

The Town's property tax for the current year was levied August 25, 2015 on the assessed value listed as of April 1, 2015, for all real and personal property located in the Town. Taxes were due in two installments on September 15, 2015 and March 16, 2016. Interest on unpaid taxes commenced on September 16, 2015 and March 17, 2016, 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 \$165,403 for the year ended June 30, 2016.

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/Non-Operating 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.

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.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2016, the Town's cash balances amounting to \$7,678,741 were comprised of bank deposits of \$8,303,269. Of these bank deposits, \$7,370,060 was fully insured by federal depository insurance and consequently was not exposed to custodial credit risk. Of the remaining bank deposits, \$256,848 was Securities Investor Protection Corporation and \$676,361 was not insured or collateralized.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 909,474
Savings accounts	274,863
Money market accounts	585,008
Sweep accounts	3,972,784
Certificates of deposit	2,304,292
Cash equivalents	256,848
	<u>\$ 8,303,269</u>

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2016, the Town had \$0 of investments.

Fair Value Hierarchy

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy as follows: Level 1: Investments reflect prices quoted in active markets for those securities; Level 2: Investments are valued from publicly reliable sources or using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices; and Level 3: Investments reflect prices based upon unobservable sources. The Town has the following recurring fair value measurements as June 30, 2016:

	June 30, 2016 Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
<u>Investments by fair value level</u>				
<u>Cash equivalents measured at the net asset value (NAV)</u>				
Money market mutual funds	256,848			
Total cash equivalents measured at the NAV	256,848			
Total investments and cash equivalents measured at fair value	\$ 256,848			

The Town has no investments at Levels 1, 2, or 3, but does hold cash equivalents that are money market mutual funds. The fair value of money market mutual funds that are measured at NAV per share (or its equivalent) is calculated as of June 30, 2016 in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies. Certificates of deposit held by the Town include both local and brokered certificates of deposit totaling \$2,304,292 that are excluded from the hierarchy as these deposits are considered held to maturity and are therefore not measured at fair value.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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.

NOTE 3 – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2016 consisted of the following individual fund receivables and payables:

	<u>Receivables (Due From)</u>	<u>Payables (Due To)</u>
General Fund	\$ 301,788	\$ 972,762
Loan Program	-	230,539
School Capital Fund	111,485	
Gym Bond Fund	-	66,237
Track Bond Fund	-	5,012
Nonmajor Special Revenue Funds	861,277	-
	<u>\$ 1,274,550</u>	<u>\$ 1,274,550</u>

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2016:

	Balance 7/1/15	Additions	Disposals	Balance 6/30/16
<u>Governmental activities:</u>				
Non-depreciated assets:				
Land	\$ 1,048,575	\$ -	\$ -	\$ 1,048,575
Construction in progress	4,495,891	-	(64,000)	4,431,891
	<u>5,544,466</u>	<u>-</u>	<u>(64,000)</u>	<u>5,480,466</u>
Depreciated assets:				
Buildings	26,176,183	226,940	-	26,403,123
Equipment and vehicles	7,738,588	258,044	-	7,996,632
Infrastructure	21,734,035	276,274	-	22,010,309
	55,648,806	761,258	-	56,410,064
Less: accumulated depreciation	(32,870,036)	(1,475,492)	-	(34,345,528)
	<u>22,778,770</u>	<u>(714,234)</u>	<u>-</u>	<u>22,064,536</u>
Net capital assets	<u>\$ 28,323,236</u>	<u>\$ (714,234)</u>	<u>\$ (64,000)</u>	<u>\$ 27,545,002</u>
<u>Current year depreciation:</u>				
General government				\$ 100,260
Education				552,939
Public safety				127,455
Public works including infrastructure				694,838
Total depreciation expenses				<u>\$ 1,475,492</u>

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	Balance, 1/1/15	Additions	Disposals	Balance, 12/31/15
<u>Business-type activities:</u>				
Non-depreciated assets:				
Land	\$ 94,002	\$ -	\$ -	\$ 94,002
Construction in progress	135,801	-	(135,801)	-
	<u>229,803</u>	<u>-</u>	<u>(135,801)</u>	<u>94,002</u>
Depreciated assets:				
Structures and improvements	1,566,387	-	-	1,566,387
Wells and springs	220,805	-	-	220,805
Pumping equipment	578,258	-	-	578,258
Water treatment equipment	865,457	-	-	865,457
Reservoir	159,421	-	-	159,421
Mains	3,721,552	253,559	(15,000)	3,960,111
Services	537,781	6,676	(2,000)	542,457
Meters	279,181	11,409	(6,000)	284,590
Hydrants	308,434	16,069	(1,000)	323,503
Office furniture and fixtures	14,829	-	-	14,829
Transportation	81,973	-	-	81,973
Tools and shop equipment	22,748	-	-	22,748
Laboratory	4,347	-	-	4,347
Power operated equipment	39,395	1,725	-	41,120
Communications equipment	143,500	-	-	143,500
Miscellaneous equipment	22,456	-	-	22,456
	<u>8,566,524</u>	<u>289,438</u>	<u>(24,000)</u>	<u>8,831,962</u>
Less: accumulated depreciation	<u>(2,641,710)</u>	<u>(206,392)</u>	<u>24,000</u>	<u>(2,824,102)</u>
Net capital assets	<u>5,924,814</u>	<u>83,046</u>	<u>-</u>	<u>6,007,860</u>
Total net capital assets	<u>\$ 6,154,617</u>	<u>\$ 83,046</u>	<u>\$ (135,801)</u>	<u>\$ 6,101,862</u>

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 – LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2016:

	Balance 7/1/15	Additions	Reductions	Balance 6/30/16	Due Within One Year
<u>Governmental activities:</u>					
Bonds payable	\$ 15,655,962	\$ -	\$ (1,350,196)	\$ 14,305,766	\$ 1,351,500
Capital leases payable	3,296,329	-	(313,361)	2,982,968	255,923
Accrued compensated absences	549,751	-	(7,072)	542,679	135,669
Net pension liability	1,259,373	1,620,518	(626,321)	2,253,570	-
Totals	<u>\$ 20,761,415</u>	<u>\$ 1,620,518</u>	<u>\$ (2,296,950)</u>	<u>\$ 20,084,983</u>	<u>\$ 1,743,092</u>

	Balance, 1/1/15 (Restated)	Additions	Reductions	Balance, 12/31/15	Due within one year
Bonds payable	\$ 3,242,816	\$ -	\$ (244,101)	\$ 2,998,715	\$ 246,317
Net pension liability	56,539	101,276	(17,923)	139,892	-
Accrued compensated absences	15,422	899	(1,739)	14,582	7,088
	<u>\$ 3,314,777</u>	<u>\$ 102,175</u>	<u>\$ (263,763)</u>	<u>\$ 3,153,189</u>	<u>\$ 253,405</u>

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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.	\$ 219,994	\$ -
\$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.	-	5,804,874
\$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.	150,126	-
\$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.	140,000	-
\$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.	250,000	-
\$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.	216,000	-
\$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.	524,344	-
\$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.	802,500	-
\$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.	-	175,000

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 – LONG TERM DEBT (CONTINUED)

	Governmental Activities	
	Town	School
\$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.	162,000	-
\$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.	-	5,410,928
\$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.	-	450,000
Total Bonds Payable - Governmental Activities	<u>\$ 2,464,964</u>	<u>\$ 11,840,802</u>

	Business-type Activities
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.	\$ 1,451,113
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.	196,500
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.	727,500
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>623,602</u>
Total Bonds Payable - Business-type Activities	<u>\$ 2,998,715</u>

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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
2017	\$ 1,351,500	\$ 442,140	\$ 1,793,640
2018	1,352,832	400,199	1,753,031
2019	1,354,229	360,850	1,715,079
2020	1,355,685	322,618	1,678,303
2021	1,226,128	284,611	1,510,739
2022-2026	4,813,869	862,600	5,676,469
2027-2031	1,712,379	358,258	2,070,637
2032-2036	1,139,144	85,666	1,224,810
	<u>\$ 14,305,766</u>	<u>\$ 3,116,942</u>	<u>\$ 17,422,708</u>

	Business-type Activities		
	Principal	Interest	Total
2016	\$ 246,317	\$ 78,455	\$ 324,772
2017	248,699	74,197	322,896
2018	251,260	69,510	320,770
2019	254,011	64,611	318,622
2020	256,959	59,490	316,449
2021-2025	1,161,061	199,134	1,360,195
2026-2030	416,689	71,032	487,721
2031-2035	163,719	15,662	179,381
	<u>\$ 2,998,715</u>	<u>\$ 632,091</u>	<u>\$ 3,630,806</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. 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.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 – LONG TERM DEBT (CONTINUED)

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 .43%-3.79%, respectively. Balances at December 31, 2015 are \$1,451,113, \$196,500, \$727,500 and \$623,602, respectively.

No interest costs were capitalized during the period. The amount of interest costs incurred and charged to expense for the year ended June 30, 2016 was \$371,911.

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, 2016:

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, 2016

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:	
2017	\$ 366,945
2018	349,121
2019	305,851
2020	270,952
2021	270,952
2022-2026	1,128,665
2027-2031	1,025,501
2032-2036	<u>205,100</u>
Total minimum lease payment	3,923,087
Less amount representing interest	<u>(940,119)</u>
Present value of future minimum lease payments	<u><u>\$ 2,982,968</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, 2016

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, 2016, the Town had the following nonspendable fund balances:

General Fund :	
Notes Receivable	\$ 22,301
Loan Program Fund	325,282
Nonmajor Special Revenue Funds	16,997
Nonmajor Permanent Funds	705
	<u>\$ 365,285</u>

NOTE 7 – RESTRICTED FUND BALANCES

At June 30, 2016, the Town had the following restricted fund balances:

General Fund:	
Education	\$ 829,973
Loan Program Fund	663,131
Gym Bond Fund	135,274
School QZAB/QECB Fund	19,201
Nonmajor Special Revenue Funds	214,879
Nonmajor Permanent Funds	25,453
	<u>\$ 1,887,911</u>

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 8 – COMMITTED FUND BALANCES

At June 30, 2016, the Town had the following committed fund balances:

School Capital Fund	\$ 111,485
Nonmajor Special Revenue Funds	878,264
	<u>\$ 989,749</u>

NOTE 9 – ASSIGNED FUND BALANCES

At June 30, 2016, the Town had the following assigned fund balances:

General Fund:	
Route 196	\$ 566
Animal Control	2,607
Library Grants	538
Andro River Trail Grant	21,196
Career Center	1,946
MEPERS Rebate	15,971
PW Road Improvements	18,684
Fire Truck Replacement	250,212
Police Forfeiture	20,282
Medical Insurance	1,325
Cemetery Donation	384
Fire Department Donations	2,062
Trail Donations	710
Playground Donations	2,119
Giving Tree	2,452
Heating Assistance	644
Grants match	50,000
Buildings	24,926
Assessing	36,890
	<u>\$ 453,514</u>

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 (800) 451-9800.

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 5.0%.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 7.5% of their annual covered salary and the Town's AC plan members (including the Lisbon Water Department) are also required to contribute 7.5% of their annual salary. The Town is required to contribute at an actuarially determined rate. The current rate is 8.9% for the 2C plan and 8.9% 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, 2016 was \$204,481. The Lisbon Water Department's contribution to the MainePERS PLD Consolidated Plan for the year ended December 31, 2015 was \$20,128.

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.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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 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.

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 5.0%.

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 \$7,150,470 for the year ended June 30, 2016. Title 5 of the Maine Revised Statutes Annotated requires the State to contribute 10.02% 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 \$673,859 for the year ended June 30, 2016. 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 \$240,256 for 2016. In addition, the Town is required to contribute toward the UAL of the plan and pay a small percentage of payroll

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

towards the administrative costs for federally funded teachers, which amounts to 10.57% of compensation and totaled \$44,958 the year ended June 30, 2016.

Pension Liabilities

PLD Consolidated Plan

At June 30, 2016, the Town reported a liability of \$1,861,239 and the Lisbon Water Department reported a liability of \$139,892 for its proportionate share of the net pension liabilities for the plan. The net pension liabilities were measured as of June 30, 2015, 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, 2015, the Town's proportion was 0.58338%, which was a decrease of 0.00862% from its proportion measured as of June 30, 2014. The Lisbon Water Department's proportion at June 30, 2015 was 0.043848%, which was an increase of 0.007106% from its proportion measured as of June 30, 2014.

SET Plan

At June 30, 2016, 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	\$ 392,331
State's proportionate share of the net pension liability associated with the Town	<u>7,870,813</u>
Total	<u>\$ 8,263,144</u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2016

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

actuarially determined. At June 30, 2015, the Town's proportion was 0.029059%, which was a decrease of 0.003191% from its proportion measured as of June 30, 2014.

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

For the year ended June 30, 2016, the Town recognized total pension expense of \$303,662 for the PLD plan and net expense revenue of \$649,510 and revenue of \$357,879 for support provided by the State of Maine for the SET plan. For the year ended December 31, 2015, the Lisbon Water Department recognized net pension expense of \$40,700. At June 30, 2016, 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		PLD 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	\$ 75,150	\$ 239,045	\$ -	\$ 2,724	\$ 5,649	\$ 17,967
Changes of assumptions	164,484	-	10,810	-	12,363	-
Net difference between projected and actual earnings on pension plan investments	574,446	715,064	83,017	100,757	43,176	53,745
Changes in proportion and differences between contributions and proportionate share of contributions	26,463	19,263	92,058	32,488	15,879	4,549
Contributions subsequent to the measurement date	270,090	-	285,213	-	11,099	-
Total	<u>\$ 1,110,633</u>	<u>\$ 973,372</u>	<u>\$ 471,098</u>	<u>\$ 135,969</u>	<u>\$ 88,166</u>	<u>\$ 76,261</u>

\$270,090 for the PLD plan and \$285,213 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 year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Year ended June 30:	Town	SET	Lisbon Water Department
	PLD Plan		PLD Plan
2017	\$ (75,212)	\$ 72,038	\$ (3,146)
2018	(75,212)	(30,045)	(3,146)
2019	(126,018)	(12,832)	(3,696)
2020	143,612	20,754	10,794
2021	-	-	-
Thereafter	-	-	-

Actuarial Methods and Assumptions

The respective collective total pension liability for the plans was determined by an actuarial valuation as of June 30, 2015, 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, 2016

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Amortization

The net pension liability of the PLD Consolidated Plan is amortized on an open basis over a period of fifteen years.

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.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2015 and June 30, 2014 are as follows:

Investment Rate of Return - For the PLD Plan, 7.125% per annum for the year ended June 30, 2015 and 7.25% per annum for the year ended June 30, 2014, compounded annually; for the State Employee and Teacher Plan, 7.125% per annum for the years ended June 30, 2015 and 2014, compounded annually.

Salary Increases, Merit and Inflation - Members of the consolidated plan for PLDs, 3.50% to 9.50% per year; state employees, 3.50% to 10.50% per year; teachers, 3.50% to 13.5% per year.

Mortality Rates - For participating local districts and state employee members, the RP2000 Tables projected forward to 2015 using Scale AA are used; for active members and non-disabled retirees of the teachers' plan, the ages are set back two years; for all recipients of disability benefits, the Revenue Ruling 96-7 Disabled Mortality Table for Males and Females is used.

Cost of Living Benefit Increases – for participating local districts, 2.55% per annum for the year ended June 30, 2015, and 3.12% per annum for the year ended June 30, 2014; for state employees and teachers 2.55% per annum for the years ended June 30, 2015 and 2014.

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, 2015 are summarized in the following table:

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US equities	20%	5.2%
Non-US equities	20%	5.5%
Private equity	10%	7.6%
Real assets:		
Real estate	10%	3.7%
Infrastructure	10%	4.0%
Hard assets	5%	4.8%
Fixed income	25%	0.7%

Discount Rate

The discount rate used to measure the collective total pension liability was 7.125% for 2015 for each of the Plans and 7.125% for 2014 for the State Employee and Teacher Plan and 7.25% for 2014 for the PLD Plan. 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/ (asset) as of June 30, 2015 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 7.125% for each of the Plans.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	1% Decrease	Discount Rate	1% Increase
<u>PLD Plan - Town:</u>			
Discount rate	6.125%	7.125%	8.125%
Town's proportionate share of the net pension liability	\$ 3,708,139	\$ 1,861,239	\$ 110,263
<u>SET Plan:</u>			
Discount rate	6.125%	7.125%	8.125%
Town's proportionate share of the net pension liability	\$ 686,878	\$ 392,331	\$ 147,007
<u>PLD Plan - Lisbon Water Department:</u>			
Discount rate	6.125%	7.125%	8.125%
Department's proportionate share of the net pension liability	\$ 278,707	\$ 139,892	\$ 8,287

Changes in Net Pension Liability

Changes in net pension liability are recognized in pension expense for the year ended June 30, 2015 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. For 2015 and 2014, this was 4 years for the PLD Consolidated Plan and 3 years for the SET Plan.

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.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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. There were no changes in assumptions for the SET Plan. For the PLD Plan, the discount rate was decreased from 7.25% to 7.125% and the cost of living benefit increase assumption was changed from 3.12% to 2.55%.

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. 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' 2015 Comprehensive Annual Financial Report available online at www.mainebers.org or by contacting the System at (800) 451-9800.

NOTE 11 – 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, 2016. 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.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 – 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 2016 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 2016 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 2016.

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.

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 13 – 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, 2015.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 14 – 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, 2016, the Town’s share was approximately:

	<u>Outstanding Debt</u>	<u>Town’s Percentage</u>	<u>Total Share</u>
County of Androscoggin	\$ -	7.00%	<u><u>\$ -</u></u>

NOTE 15 – OVERSPENT APPROPRIATIONS

As of June 30, 2016 the Town had overdrafts in the following line items:

Legal	\$ 38,471
Tax collector	5,109
Town buildings	14,854
Recreation department	5,247
Bad debts	19,993
	<u><u>\$ 83,674</u></u>

NOTE 16 - TAX INCREMENT FINANCING DISTRICT

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.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 16 - TAX INCREMENT FINANCING DISTRICT (CONTINUED)

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.

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.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 16 - TAX INCREMENT FINANCING DISTRICT (CONTINUED)

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.

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.

NOTE 17 – SUBSEQUENT EVENT

On November 16, 2016 the Town entered into a lease agreement with Androscoggin Bank for a Freightliner in the amount of \$86,626 with an interest rate of 2.55%. Annual principal and interest payments for 2017, 2018, and 2019 are \$2,300, \$43,783, and \$43,782, respectively.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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.

NOTE 19 - RESTATEMENT

The net position of the proprietary funds has been restated at January 1, 2015 to account for the implementation of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 (Issued 06/12)*. As a result, the beginning balance was reduced by \$107,416.

The beginning net position of the proprietary funds has been restated as of January 1, 2015. This balance was restated to correct the accrued revenue balance. As a result, the beginning balance was increased by \$110,551.

The net restatement of beginning net position of the proprietary funds was an increase of \$3,135.

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
- Notes to Required Supplementary Information

TOWN OF LISBON, MAINE

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
 BUDGET AND ACTUAL – GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Resources (Inflows):				
Property taxes	\$ 10,804,470	\$ 10,804,470	\$ 10,847,914	\$ 43,444
Excise taxes	1,340,000	1,340,000	1,542,114	202,114
Licences and permits	47,200	47,200	63,765	16,565
Intergovernmental	1,042,228	10,054,321	10,124,387	70,066
Charges for services	477,292	523,272	525,615	2,343
Interest income	9,000	9,000	15,928	6,928
Interest/costs on liens	57,000	57,000	65,590	8,590
Other income	250,129	447,626	380,925	(66,701)
Amounts Available for Appropriation	<u>14,027,319</u>	<u>23,282,889</u>	<u>23,566,238</u>	<u>283,349</u>
Charges to Appropriations (Outflows):				
General government	1,433,872	1,550,688	1,434,354	116,334
Public safety	2,248,499	2,248,499	2,110,269	138,230
Public works	2,441,545	2,471,545	2,320,658	150,887
Public services	782,737	782,737	747,241	35,496
General assistance	29,429	29,429	24,362	5,067
County tax	600,622	600,622	600,621	1
Education	5,512,025	15,158,724	14,453,857	704,867
TIF	271,782	271,782	264,897	6,885
Overlay/abatements	272,281	272,281	14,104	258,177
Unclassified	-	-	19,993	(19,993)
Debt service	541,405	541,405	517,636	23,769
Total Charges to Appropriations	<u>14,134,197</u>	<u>23,927,712</u>	<u>22,507,992</u>	<u>1,419,720</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(106,878)</u>	<u>(644,823)</u>	<u>1,058,246</u>	<u>1,703,069</u>
OTHER FINANCING SOURCES (USES)				
Use of unassigned fund balance	-	270,996	-	(270,996)
Revenues in carryforward accounts	-	-	207,351	207,351
Expenditures in carryforward accounts	-	-	(658,259)	(658,259)
Transfers in	-	236,949	236,949	-
Transfers (out)	-	30,000	(30,000)	(60,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>537,945</u>	<u>(243,959)</u>	<u>(781,904)</u>
NET CHANGE IN FUND BALANCES	<u>\$ (106,878)</u>	<u>\$ (106,878)</u>	<u>814,287</u>	<u>\$ 921,165</u>
FUND BALANCES - JULY 1			<u>3,246,663</u>	
FUND BALANCES - JUNE 30			<u>\$ 4,060,950</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>2016</u>	<u>2015</u>
<u>PLD Plan - Town:</u>		
Proportion of the net pension liability	0.58%	0.59%
Proportionate share of the net pension liability	\$ 1,861,239	\$ 910,967
Covered-employee payroll	\$ 3,034,713	\$ 3,043,854
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	61.33%	29.93%
Plan fiduciary net position as a percentage of the total pension liability	88.30%	94.10%
 <u>SET Plan:</u>		
Town's proportion of the net pension liability	0.03%	0.03%
Town's proportionate share of the net pension liability	\$ 392,331	\$ 348,406
State's proportionate share of the net pension liability associated with the Town	<u>7,870,813</u>	<u>6,252,863</u>
Total	<u>\$ 8,263,144</u>	<u>\$ 6,601,269</u>
Town's covered-employee payroll	\$ 7,150,470	\$ 7,348,015
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	5.49%	4.74%
Plan fiduciary net position as a percentage of the total pension liability	81.20%	83.91%
 <u>PLD Plan - Lisbon Water Department:</u>		
Proportion of the net pension liability	0.04%	0.04%
Proportionate share of the net pension liability	\$ 139,892	\$ 56,539
Covered-employee payroll	\$ 240,468	\$ 207,051
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	58.17%	27.31%
Plan fiduciary net position as a percentage of the total pension liability	88.30%	94.10%

* 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
LAST 10 FISCAL YEARS*

	<u>2016</u>	<u>2015</u>
<u>PLD Plan - Town:</u>		
Contractually required contribution	\$ 270,090	\$ 231,256
Contributions in relation to the contractually required contribution	<u>(270,090)</u>	<u>(231,256)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 3,034,713	\$ 3,043,854
Contributions as a percentage of covered-employee payroll	8.90%	7.60%
<u>SET Plan:</u>		
Contractually required contribution	\$ 285,213	\$ 240,350
Contributions in relation to the contractually required contribution	<u>(285,213)</u>	<u>(240,350)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 7,150,470	\$ 7,348,015
Contributions as a percentage of covered-employee payroll	3.99%	3.27%
<u>PLD Plan - Lisbon Water Department:</u>		
Contractually required contribution	\$ 20,128	\$ 14,941
Contributions in relation to the contractually required contribution	<u>(20,128)</u>	<u>(14,941)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 240,468	\$ 207,051
Contributions as a percentage of covered-employee payroll	8.37%	7.22%

* 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.

TOWN OF LISBON, MAINE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2016

Changes of Assumptions

There was a change in the investment rate of return assumption this year from 7.25% to 7.125%. This change was made in the other MainePERS Programs with the 2014 valuation, but is first being recognized in the PLD Consolidated Plan in 2015. In addition to this change, the cost of living benefit increase assumption was changed from 3.12% to 2.55%. Further, those PLDs who had an IUUAL Surplus account received a refund of that account. As a result, there will be no more IUUAL surplus payments reflected beginning with the 2015 valuation. Finally, the amortization methodology for the Pooled Unfunded Actuarial Liability (PUAL) was changed from a fifteen-year open level dollar method to a method where a separate twenty-year closed period is established annually for the gain or loss in that year with these amortizations being developed as a level percentage of payroll and amortizing the existing PUAL at the time of this change, July 1, 2015, over a closed fifteen-year period beginning on this date.

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.

- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances –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

TOWN OF LISBON, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES – BUDGETARY BASIS – BUDGET AND ACTUAL
 GENERAL FUND REVENUES
 FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Budget Adjustments	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES:					
Taxes:					
Property taxes	\$ 10,804,470	\$ -	\$ 10,804,470	\$ 10,847,914	\$ 43,444
Excise taxes	1,340,000	-	1,340,000	1,542,114	202,114
Registration fees	25,000	-	25,000	29,694	4,694
Interest and costs on taxes	32,000	-	32,000	35,896	3,896
	<u>12,201,470</u>	<u>-</u>	<u>12,201,470</u>	<u>12,455,618</u>	<u>254,148</u>
Licenses and permits:					
Business permits and fees	23,000	-	23,000	27,744	4,744
All other construction fees	9,200	-	9,200	13,720	4,520
Town clerk	15,000	-	15,000	22,301	7,301
	<u>47,200</u>	<u>-</u>	<u>47,200</u>	<u>63,765</u>	<u>16,565</u>
Intergovernmental:					
Education subsidies	-	9,012,093	9,012,093	9,013,224	1,131
State revenue sharing	520,000	-	520,000	586,773	66,773
General assistance	17,000	-	17,000	10,475	(6,525)
Tree growth reimbursement	11,000	-	11,000	14,970	3,970
BETE reimbursement	136,637	-	136,637	139,695	3,058
Homestead reimbursement	236,504	-	236,504	236,504	-
Miscellaneous state aid	15,483	-	15,483	15,483	-
Urban rural incentive program	96,604	-	96,604	96,712	108
Veteran reimbursement	9,000	-	9,000	10,551	1,551
	<u>1,042,228</u>	<u>9,012,093</u>	<u>10,054,321</u>	<u>10,124,387</u>	<u>70,066</u>
Charges for services:					
Police and dispatch	230,965	-	230,965	191,540	(39,425)
Public services	246,327	-	246,327	308,604	62,277
School	-	45,980	45,980	25,471	(20,509)
	<u>477,292</u>	<u>45,980</u>	<u>523,272</u>	<u>525,615</u>	<u>2,343</u>
Investment income	9,000	-	9,000	15,928	6,928
Other revenues:					
TIF	94,256	-	94,256	94,256	-
Recycling	100,600	-	100,600	96,740	(3,860)
School	-	197,497	197,497	108,709	(88,788)
Reimbursements	53,823	-	53,823	53,926	103
Other revenues	1,450	-	1,450	27,294	25,844
	<u>250,129</u>	<u>197,497</u>	<u>447,626</u>	<u>380,925</u>	<u>(66,701)</u>
Total revenues	<u>\$ 14,027,319</u>	<u>\$ 9,255,570</u>	<u>\$ 23,282,889</u>	<u>\$ 23,566,238</u>	<u>\$ 283,349</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, 2016

	Original Budget	Budget Adjustments	Final Budget	Actual Amounts	Variance Positive (Negative)
General government:					
Elected officials	\$ 21,209	\$ -	\$ 21,209	\$ 19,388	\$ 1,821
Town manager	219,250	5,000	224,250	222,584	1,666
Contingency	5,000	50,000	55,000	5,000	50,000
Insurance	121,529	-	121,529	79,492	42,037
Legal	50,000	-	50,000	88,471	(38,471)
Finance	121,952	-	121,952	112,632	9,320
Tax collector	134,770	-	134,770	139,879	(5,109)
Code enforcement	107,558	-	107,558	102,121	5,437
Town clerk	127,484	-	127,484	118,761	8,723
Assessing	77,876	36,890	114,766	74,322	40,444
Town buildings	166,005	24,926	190,931	205,785	(14,854)
Technology	156,843	-	156,843	152,840	4,003
Planning Board	28,004	-	28,004	25,177	2,827
Board of Appeals	1,687	-	1,687	604	1,083
Economic development	94,705	-	94,705	87,298	7,407
	<u>1,433,872</u>	<u>116,816</u>	<u>1,550,688</u>	<u>1,434,354</u>	<u>116,334</u>
Public safety:					
Police	1,387,264	-	1,387,264	1,338,065	49,199
Animal control officer	84,434	-	84,434	81,824	2,610
Fire	435,725	-	435,725	385,137	50,588
Communication	341,076	-	341,076	305,243	35,833
	<u>2,248,499</u>	<u>-</u>	<u>2,248,499</u>	<u>2,110,269</u>	<u>138,230</u>
Public works:					
Public works	1,308,349	25,000	1,333,349	1,207,783	125,566
Snow removal	221,863	-	221,863	202,414	19,449
Hydrant rental	325,733	-	325,733	325,733	-
Street and traffic lights	113,500	-	113,500	109,881	3,619
Solid waste	472,100	5,000	477,100	474,847	2,253
	<u>2,441,545</u>	<u>30,000</u>	<u>2,471,545</u>	<u>2,320,658</u>	<u>150,887</u>

TOWN OF LISBON, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Final Budget	Budget Adjustments	Final Budget	Actual Amounts	Variance Positive (Negative)
Public services:					
Health officer	6,253	-	6,253	5,410	843
Community services - senior citizens	37,622	-	37,622	22,835	14,787
Lisbon Falls Library	236,709	-	236,709	233,442	3,267
Miscellaneous public services	12,800	-	12,800	12,269	531
Conservation commission	575	-	575	-	575
Recreation department	390,788	-	390,788	396,035	(5,247)
Parks department	97,990	-	97,990	77,250	20,740
	<u>782,737</u>	<u>-</u>	<u>782,737</u>	<u>747,241</u>	<u>35,496</u>
General assistance	29,429	-	29,429	24,362	5,067
Intergovernmental - county tax	600,622	-	600,622	600,621	1
Education	5,512,025	9,646,699	15,158,724	14,453,857	704,867
Unclassified:					
Tax increment financing payments	271,782	-	271,782	264,897	6,885
Bad debts	-	-	-	19,993	(19,993)
Overlay/tax abatements	165,403	106,878	272,281	14,104	258,177
	<u>437,185</u>	<u>106,878</u>	<u>544,063</u>	<u>298,994</u>	<u>245,069</u>
Debt service - Town:					
Principal	156,298	-	156,298	145,725	10,573
Interest	385,107	-	385,107	371,911	13,196
	<u>541,405</u>	<u>-</u>	<u>541,405</u>	<u>517,636</u>	<u>23,769</u>
Total expenditures	<u>\$ 14,027,319</u>	<u>\$ 9,900,393</u>	<u>\$ 23,927,712</u>	<u>\$ 22,507,992</u>	<u>\$ 1,419,720</u>

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

TOWN OF LISBON, MAINE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	Special Revenue Funds	Permanent Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 7,034	\$ 26,158	\$ 33,192
Investments	-	-	-
Accounts receivable	213,936	-	213,936
Due from other governments	10,896	-	10,896
Inventory	16,997	-	16,997
Due from other funds	861,277	-	861,277
TOTAL ASSETS	<u><u>\$ 1,110,140</u></u>	<u><u>\$ 26,158</u></u>	<u><u>\$ 1,136,298</u></u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
TOTAL LIABILITIES	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
FUND BALANCES			
Nonspendable	16,997	705	17,702
Restricted	214,879	25,453	240,332
Committed	878,264	-	878,264
Assigned	-	-	-
Unassigned	-	-	-
TOTAL FUND BALANCES	<u><u>1,110,140</u></u>	<u><u>26,158</u></u>	<u><u>1,136,298</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 1,110,140</u></u>	<u><u>\$ 26,158</u></u>	<u><u>\$ 1,136,298</u></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, 2016

	Special Revenue Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental	\$ 1,191,299	\$ -	\$ 1,191,299
Charges for services	1,136,732	-	1,136,732
Investment income	8	230	238
Other income	164,379	-	164,379
TOTAL REVENUES	<u>2,492,418</u>	<u>230</u>	<u>2,492,648</u>
EXPENDITURES			
General government	22,693	-	22,693
Public works	957,961	-	957,961
Public services and payments	10,742	-	10,742
Education	845,663	-	845,663
Food service	330,417	-	330,417
TOTAL EXPENDITURES	<u>2,167,476</u>	<u>-</u>	<u>2,167,476</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>324,942</u>	<u>230</u>	<u>325,172</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	159,942	230	160,172
FUND BALANCES - JULY 1	<u>950,198</u>	<u>25,928</u>	<u>976,126</u>
FUND BALANCES - JUNE 30	<u>\$ 1,110,140</u>	<u>\$ 26,158</u>	<u>\$ 1,136,298</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, 2016

	Treatment Plant	Recreation Land Use	DARE Program	Economic Development	Sale of Surplus Prop	School Nutrition Program	School Federal and Other Programs	Total
ASSETS								
Cash and cash equivalents	\$ -	\$ 5,143	\$ 1,891	\$ -	\$ -	\$ -	\$ -	\$ 7,034
Accounts receivable, net of allowance	213,936	-	-	-	-	-	-	213,936
Due from other governments	-	-	-	-	-	10,896	-	10,896
Due from other funds	650,872	8,313	23,244	10,104	87,069	60,467	21,208	861,277
Inventory	-	-	-	-	-	16,997	-	16,997
TOTAL ASSETS	\$ 864,808	\$ 13,456	\$ 25,135	\$ 10,104	\$ 87,069	\$ 88,360	\$ 21,208	\$ 1,110,140
LIABILITIES								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-	-	-	-
FUND BALANCES								
Nonspendable	-	-	-	-	-	16,997	-	16,997
Restricted	-	-	25,135	10,104	87,069	71,363	21,208	214,879
Committed	864,808	13,456	-	-	-	-	-	878,264
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	864,808	13,456	25,135	10,104	87,069	88,360	21,208	1,110,140
TOTAL LIABILITIES AND FUND BALANCES	\$ 864,808	\$ 13,456	\$ 25,135	\$ 10,104	\$ 87,069	\$ 88,360	\$ 21,208	\$ 1,110,140

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, 2016

	Treatment Plant	Recreation Land Use	DARE Program	Economic Development	Sale of Surplus Prop	School Nutrition Program	School Federal and Other Programs	Total
REVENUES								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 333,733	\$ 857,566	\$ 1,191,299
Charges for services	960,706	-	-	-	-	176,026	-	1,136,732
Investment income	-	-	8	-	-	-	-	8
Other income	35,309	2,257	4,236	16,854	95,069	-	10,654	164,379
TOTAL REVENUES	996,015	2,257	4,244	16,854	95,069	509,759	868,220	2,492,418
EXPENDITURES								
General government	-	-	-	22,693	-	-	-	22,693
Public works	949,961	-	-	-	8,000	-	-	957,961
Public services and payments	-	-	10,742	-	-	-	-	10,742
Education	-	-	-	-	-	-	845,663	845,663
Food service	-	-	-	-	-	330,417	-	330,417
TOTAL EXPENDITURES	949,961	-	10,742	22,693	8,000	330,417	845,663	2,167,476
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	46,054	2,257	(6,498)	(5,839)	87,069	179,342	22,557	324,942
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	46,054	2,257	(6,498)	(5,839)	87,069	14,342	22,557	159,942
FUND BALANCES - JULY 1	818,754	11,199	31,633	15,943	-	74,018	(1,349)	950,198
FUND BALANCES - JUNE 30	<u>\$ 864,808</u>	<u>\$ 13,456</u>	<u>\$ 25,135</u>	<u>\$ 10,104</u>	<u>\$ 87,069</u>	<u>\$ 88,360</u>	<u>\$ 21,208</u>	<u>\$ 1,110,140</u>

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, 2016

	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	\$ 305	\$ -	\$ -	\$ -	\$ 75	\$ 305
Davis Cemetery Perpetual Care	-	22,869	224	-	-	-	23,093
Maine Research Company Charity Fund	630	2,049	6	-	-	630	2,055
Totals	\$ 705	\$ 25,223	\$ 230	\$ -	\$ -	\$ 705	\$ 25,453

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, 2016

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				
Passed through State of Maine - Department of Education and Cultural Services:				
Child Nutrition Cluster:				
Donated Commodities	10.555	013-6134-05	\$ -	\$ 7,414
Special Milk Program	10.556	013-3014-05	-	73,184
National School Lunch Program	10.555	013-7128-05	-	244,858
Sub-total Child Nutrition Cluster:			<u>-</u>	<u>325,456</u>
Total U.S. Department of Agriculture			<u>-</u>	<u>325,456</u>
U.S. Department of Education				
Passed through State of Maine - Department of Education and Cultural Services:				
Title IA	84.010	6334	-	365,186
Special Education Cluster (IDEA):				
Special Education Grants to States	84.027	6317	-	417,782
Preschool Grant	84.173	6241	-	915
Subtotal Special Education Cluster (IDEA)			<u>-</u>	<u>418,697</u>
Title IIA	84.367	1138	-	50,045
Total U.S. Department of Education			<u>-</u>	<u>833,928</u>
U.S. Department of Justice				
Direct Award				
Bullet Proof Vest Partnership	16.607	N/A	-	3,090
Total U.S. Department of Justice			<u>-</u>	<u>3,090</u>
U.S. Department Transportation				
Passed through State of Maine - Bureau of Highway Safety:				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	PIN 017468	-	205,919
Sub-total Highway Planning and Construction Cluster			<u>-</u>	<u>205,919</u>
Highway Safety Cluster:				
2016 Evidence Based Impaired Driving	20.600	ID16-040	-	3,716
Sub-total Highway Safety Cluster			<u>-</u>	<u>3,716</u>
Total U.S. Department of Transportation			<u>-</u>	<u>209,635</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ -</u>	<u>\$ 1,372,109</u>

TOWN OF LISBON, MAINE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

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, 2016. 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.



Proven Expertise and Integrity

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
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, 2016, 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 January 17, 2017.

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.

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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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies (2016-1 and 2016-2).

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 January 17, 2017.

Town of Lisbon, Maine's Response to Findings

Town of Lisbon, Maine's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town of Lisbon, Maine's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

R.H.R. Smith & Company

Buxton, Maine
January 17, 2017

TOWN OF LISBON, MAINE

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

The following findings are related to the financial statements of the Town of Lisbon, Maine in accordance with GAGAS.

FINDINGS - FINANCIAL STATEMENT AUDIT

CONTROL DEFICIENCIES – SIGNIFICANT DEFICIENCIES

2015-1

As a general rule, all general ledger accounts should be reconciled on a monthly basis and, if necessary to subsidiary ledgers. At the time of audit fieldwork, various general ledger accounts including cash, tax and lien receivables, other accounts receivable, payroll liabilities, state payables and other accounts payable were not reconciled. State payables should be reconciled monthly and submitted in accordance with State guidelines or as required by policy established by the Town Manager. The Town had informed us that this has been a chronic problem and as a result, the Town engaged its outside accountants to assist them with these reconciliations, which also required extended additional audit procedures to ensure there were no significant errors and omissions.

We consider this area crucial in the Town's processing of accurate financial information and reducing the risk of loss. The Town should perform all reconciliations within 21 days after month end to mitigate the risk of material misstatement of financial information and improve internal controls. In addition, we recommend that any adjustments necessary to balance accounts to detail records and / or subsidiary ledgers also be reviewed by the Finance Director prior to posting. Further, these reconciliations should be reviewed, dated and signed by the Finance Director.

Management Response: The auditor's comments are accurate. We agree all accounts should be reconciled each month by the middle of the following month and submitted for review as part of a discussion about financial performance. We did require assistance from an accountant who is not an employee of the Town of Lisbon to help catch up reconciliations.

Corrective Action: We are looking toward a more efficient financial management system for the Town that may provide enough efficiencies to help mitigate the reportable condition cited for the 2015 fiscal year.

TOWN OF LISBON, MAINE

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)
CONTROL DEFICIENCIES – SIGNIFICANT DEFICIENCIES (CONTINUED)

2015-2

Currently, some Town departments have activities that require the collection and/or disbursement of funds outside the finance office or the financial accounting system.. These departments include School and Water. We recommend that the Town develop and implement internal control procedures that will ensure the safeguarding of the Town's assets and proper fiscal management. We also recommend that procedures be developed to ensure any and all expenditures from these accounts are substantiated, appropriate and authorized. These procedures should specifically address the following areas:

- **Cash Receipting -**
 - Cash received outside of the finance office should have proper receipts and documentation and should be deposited on a timely basis.
- **Cash Disbursements –**
 - Cash disbursed outside of the finance office should have proper authorization, documentation and be a valid expense of the account disbursed from. Any other disbursements that require a 1099 to be issued should also be communicated to the Town accounts payable office.
- **Reporting –**
 - Any departments that maintain separate accounts should submit monthly to the finance office the following:
 - bank statement,
 - bank reconciliation to include any outstanding items, and
 - a monthly report showing any activity in or out of the account.

Generally, activities that are not part of the Town should not be using the Town's tax ID number.

Management Response: We agree with the auditor's findings in all areas identified in 2015-2. A manual of internal control policies, plans, and related procedures should be deployed throughout the Town of Lisbon's operations. As stewards of the public's trust, it is incumbent upon all of us to maintain and implement strong internal control procedures -- the ultimate goal of such an effort is to protect Lisbon's assets.

Sound internal control plans are based on a comprehensive risk assessment, especially risks related to the prevention of fraud, waste and abuse. An effective Plan will require the involvement of all departments comprising Lisbon's government and is dependent of the removal of territorial barriers within the organization.

Corrective Action: The Finance Director will recommend the appropriate action steps to be taken to develop an internal control plan consistent with the framework established by COSO, the Committee of Sponsoring Organization, compile a manual of policies and procedures to be used throughout Lisbon's operations, and submit the document to the Council for consideration for adoption.

TOWN OF LISBON, MAINE

SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

The following findings are related to the financial statements of the Town of Lisbon, Maine in accordance with GAGAS.

FINDINGS - FINANCIAL STATEMENT AUDIT

CONTROL DEFICIENCIES – SIGNIFICANT DEFICIENCIES

2016-1

As a general rule, all general ledger accounts should be reconciled on a monthly basis and, if necessary to subsidiary ledgers. At the time of audit fieldwork, various general ledger accounts including cash, tax and lien receivables, other accounts receivable, payroll liabilities, state payables and other accounts payable were not reconciled. State payables should be reconciled monthly and submitted in accordance with State guidelines or as required by policy established by the Town Manager. The Town had informed us that this has been a chronic problem and as a result, the Town engaged its outside accountants to assist them with these reconciliations, which also required extended additional audit procedures to ensure there were no significant errors and omissions.

We consider this area crucial in the Town's processing of accurate financial information and reducing the risk of loss. The Town should perform all reconciliations within 21 days after month end to mitigate the risk of material misstatement of financial information and improve internal controls. In addition, we recommend that any adjustments necessary to balance accounts to detail records and / or subsidiary ledgers also be reviewed by the Finance Director prior to posting. Further, these reconciliations should be reviewed, dated and signed by the Finance Director.

Management Response: The auditor's comments are accurate. We agree all accounts should be reconciled each month by the middle of the following month and submitted for review as part of a discussion about financial performance. We did require assistance from an accountant who is not an employee of the Town of Lisbon to help catch up reconciliations.

Corrective Action: We are looking toward a more efficient financial management system for the Town that may provide enough efficiencies to help mitigate the reportable condition cited for the 2015 and 2016 fiscal years.

TOWN OF LISBON, MAINE

SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)
CONTROL DEFICIENCIES – SIGNIFICANT DEFICIENCIES (CONTINUED)

2016-2

Currently, some Town departments have activities that require the collection and/or disbursement of funds outside the finance office or the financial accounting system.. These departments include School and Water. We recommend that the Town develop and implement internal control procedures that will ensure the safeguarding of the Town's assets and proper fiscal management. We also recommend that procedures be developed to ensure any and all expenditures from these accounts are substantiated, appropriate and authorized. These procedures should specifically address the following areas:

- **Cash Receipting -**
 - Cash received outside of the finance office should have proper receipts and documentation and should be deposited on a timely basis.
 - **Cash Disbursements –**
 - Cash disbursed outside of the finance office should have proper authorization, documentation and be a valid expense of the account disbursed from. Any other disbursements that require a 1099 to be issued should also be communicated to the Town accounts payable office.
 - **Reporting –**
 - Any departments that maintain separate accounts should submit monthly to the finance office the following:
 - bank statement,
 - bank reconciliation to include any outstanding items, and
 - a monthly report showing any activity in or out of the account.
- Generally, activities that are not part of the Town should not be using the Town's tax ID number.

Management Response: We agree with the auditor's findings in all areas identified in 2015-2 and 2016-2. A manual of internal control policies, plans, and related procedures should be deployed throughout the Town of Lisbon's operations. As stewards of the public's trust, it is incumbent upon all of us to maintain and implement strong internal control procedures-the ultimate goal of such an effort is to protect Lisbon's assets.

Sound internal control plans are based on a comprehensive risk assessment, especially risks related to the prevention of fraud, waste and abuse. An effective Plan will require the involvement of all departments comprising Lisbon's government and is dependent of the removal of territorial barriers within the organization.

TOWN OF LISBON, MAINE

SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)
CONTROL DEFICIENCIES – SIGNIFICANT DEFICIENCIES (CONTINUED)

2016-2 (Continued)

Corrective Action: The Finance Director will recommend the appropriate action steps to be taken to develop an internal control plan consistent with the framework established by COSO, the Committee of Sponsoring Organization, compile a manual of policies and procedures to be used throughout Lisbon's operations, and submit the document to the Council for consideration for adoption.

FINDINGS MAJOR PROGRAM AUDIT: MATERIAL WEAKNESS

2016 - 3 – CFDA #84.027 Special Education Grants To States

Criteria: Program Guidance including various Federal circulars require recipients to prepare and maintain adequate accounting records for federal grants. The accounting structure must also provide for a means to adequately maintain and track receipts and disbursements.

Condition: Upon initial review of the grant mentioned above, it was determined that local expenditures had been combined and charged to the federal grant budget.

Effect: The expenditures had to be reclassified to local budgets and federal expenditures were comingled with local expenditures.

Recommendation: The approved budget for all grants should be tracked and verified to approved amounts by the grantor. Related expenditures should also be reviewed and tracked accordingly to ensure no unallowable costs are charged to grant awards.

Management

Response: Management agrees with this recommendation and has already worked to implement procedures to ensure adequate documentation will be collected and maintained for the current as well as future years.



Proven Expertise and Integrity

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

Town Council
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, 2016. 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, 2016.

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 identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and responses as item (2016 – 3), that we consider to be a material weakness.

The Town of Lisbon, Maine's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Lisbon, Maine's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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
January 17, 2017

TOWN OF LISBON, MAINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2016

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

2016 – 1 and 2016 - 2

Section III – Federal Awards Findings and Questioned Costs

2016 -3



Proven Expertise and Integrity

INDEPENDENT AUDITORS' REPORT ON STATE REQUIREMENTS

Town Council
Lisbon, Maine

We have audited the financial statements of the Town of Lisbon for the year ended June 30, 2016 and have issued our report thereon dated January 17, 2017. 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 MEDMS 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
January 17, 2017

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TOWN OF LISBON, MAINE

RECONCILIATION OF AUDIT ADJUSTMENTS TO ANNUAL FINANCIAL DATA
 SUBMITTED TO THE MEDMS FINANCIAL SYSTEM
 FOR THE YEAR ENDED JUNE 30, 2016

	General Fund (1000)	Special Revenue Funds (2000)	Capital Projects Fund (4000)	Totals
June 30 balance per MEDMS financial System	\$ -	\$ -	\$ -	\$ -
Revenue Adjustments:				
Transfer - School Nutrition Program	-	-	-	-
Expenditure Adjustments:				
Reallocation of expenditures from Local Entitlement (IDEA) to General Fund Special Education	330,286	(330,286)	-	-
Other Adjustments:				
Fund Balances Not Reported on MEDMS:				
School Capital Fund	-	-	-	-
Gym Bond Fund	-	-	-	-
Track Bond Fund	-	-	-	-
QZAB/QUCB Funds	-	-	-	-
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>\$ 330,286</u>	<u>\$ (330,286)</u>	<u>\$ -</u>	<u>\$ -</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
2007	8,374,646	1,283,349	9,657,995
2008	8,436,493	1,292,837	9,729,330
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

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
2006	31.59%	62.78%	5.63%	100%
2007	35.23%	58.98%	5.79%	100%
2008	38.26%	55.51%	6.23%	100%
2009	40.35%	53.70%	5.95%	100%
2010	41.00%	53.00%	6.00%	100%
2011	41.00%	53.00%	6.00%	100%
2012	38.00%	56.00%	6.00%	100%
2013	39.00%	55.00%	6.00%	100%
2014	40.00%	55.00%	5.00%	100%
2015	44.00%	51.00%	5.00%	100%
2016	42.82%	51.71%	5.47%	100%

TABLE 3

TOWN OF LISBON, MAINE
PRINCIPAL PROPERTY TAXPAYERS
FISCAL YEARS 2016 AND 2005

Taxpayer	2016			Taxpayer	2005		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Brown Bear II Hydro, Inc	\$ 13,732,950	1	3.04%	Miller Hydro	\$ 18,000,000	1	5.44%
Central Maine Power	7,308,340	2	1.62%	Lisbon Acquisition Corp.	6,486,550	2	1.96%
The Dingely Press, Inc.	7,165,700	3	1.58%	Lisbon Falls Property LLC	3,205,120	3	0.97%
Maritimes & Northeast	3,762,800	4	0.83%	Terra Firma Realty Trust	2,437,660	4	0.74%
JMC Farwell Limited	2,890,700	5	0.64%	JMC Farwell Limited	2,189,890	5	0.66%
Terra Firma Realty Trust	2,853,710	6	0.63%	Central Maine Power Co.	2,076,160	6	0.63%
Heritage Knolls	2,647,900	7	0.59%	Heritage Knolls	2,005,950	7	0.61%
Woodgate	2,345,100	8	0.52%	Woodgate	1,776,570	8	0.54%
Gendron Realty, Inc.	2,148,300	9	0.47%	Gendron Realty, Inc.	1,627,480	9	0.49%
Sun Communities Operatir	1,812,800	10	0.40%	Lisbra, LLC	1,364,580	10	0.41%
Totals	\$ 46,668,300		10.32%	Totals	\$ 41,169,960		12.44%

TOWN OF LISBON, MAINE
PROPERTY TAX LEVIES AND COLLECTIONS
LAST FOUR 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	99.00%
2016	10,804,471	10,624,948	98.50%	74,368	10,699,316	99.00%

Source: Tax Collection System

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

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			
2007	13,865,230	365,656	348,760	1,187,463		15,767,109	7.73%	1,726
2008	12,789,695	365,565	426,746	1,125,665		14,707,671	7.25%	1,617
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	13,695,772	219,994	2,982,968	390,000		17,288,734	5.32%	1,944

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
2007	15,052,693	2.686%	1,648
2008	13,915,360	2.323%	1,530
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	14,085,772	2.627%	1,584

TOWN OF LISBON, MAINE
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 JUNE 30, 2016

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping Debt:			
Androscoggin County	\$ -	7%	\$ -
Lisbon Water Department	2,998,715	100%	2,998,715
Subtotal	<u>\$ 2,998,715</u>		<u>\$ 2,998,715</u>
Town of Lisbon Direct Debt	<u>\$ 17,288,734</u>	100%	<u>\$ 17,288,734</u>
Total Direct and Overlapping Debt	<u>\$ 20,287,449</u>		<u>\$ 20,287,449</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 \$534M and County's State valuation was approximately \$7.7B. The ratio of the Town's share is 7% of the County's \$184,077 of long-term debt outstanding as of June 30, 2016.

The citizens of Lisbon are 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 gallons used. At December 31, 2015, the outstanding bonded debt of the Water Department was \$2,998,715.

TOWN OF LISBON, MAINE

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

Fiscal Year	2012	2013	2014	2015	2016
Assessed value per State	<u>\$ 559,100,000</u>	<u>\$ 522,650,000</u>	<u>\$ 526,600,000</u>	<u>\$ 534,000,000</u>	<u>\$ 529,250,000</u>
Total debt limit - all purposes-15% of assessed value	\$ 83,865,000	\$ 78,397,500	\$ 78,990,000	\$ 80,100,000	\$ 79,387,500
Less: outstanding debt applicable to debt limit	12,651,032	11,487,368	10,474,399	15,655,962	14,305,766
Legal Debt Margin	<u>\$ 71,213,968</u>	<u>\$ 66,910,132</u>	<u>\$ 68,515,601</u>	<u>\$ 64,444,038</u>	<u>\$ 65,081,734</u>
Total outstanding debt applicable to the limit as a percentage of debt limit	<u>15.08%</u>	<u>14.65%</u>	<u>13.26%</u>	<u>19.55%</u>	<u>18.02%</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	\$ 41,932,500	\$ 39,198,750	\$ 39,495,000	\$ 40,050,000	\$ 39,693,750
Less: outstanding debt applicable to debt limit	3,391,217	2,950,038	2,659,554	2,388,888	2,074,964
Debt margin for municipal purposes	<u>\$ 38,541,283.00</u>	<u>\$ 36,248,712.00</u>	<u>\$ 36,835,446.00</u>	<u>\$ 37,661,112.00</u>	<u>\$ 37,618,786.00</u>
Outstanding debt applicable to the limit as a percentage of debt limit for municipal purposes	<u>8.09%</u>	<u>7.53%</u>	<u>6.73%</u>	<u>5.96%</u>	<u>5.23%</u>
School purposes - 10%					
Debt Limit	\$ 55,910,000	\$ 52,265,000	\$ 52,660,000	\$ 53,400,000	\$ 52,925,000
Less: outstanding debt applicable to debt limit	8,699,815	8,019,830	7,339,845	12,834,574	\$ 11,840,802
Debt margin for school purposes	<u>\$ 47,210,185</u>	<u>\$ 44,245,170</u>	<u>\$ 45,320,155</u>	<u>\$ 40,565,426</u>	<u>\$ 41,084,198</u>
Outstanding debt applicable to the limit as a percentage of the debt limit for schools	<u>15.56%</u>	<u>15.34%</u>	<u>13.94%</u>	<u>24.03%</u>	<u>22.37%</u>
Storm and sanitary sewer purposes - 7.5%					
Debt Limit	\$ 41,932,500	\$ 39,198,750	\$ 39,495,000	\$ 40,050,000	\$ 39,693,750
Less: outstanding debt applicable to debt limit	560,000	517,500	475,000	432,500	390,000
Debt margin for sewer purposes	<u>\$ 41,372,500</u>	<u>\$ 38,681,250</u>	<u>\$ 39,020,000</u>	<u>\$ 39,617,500</u>	<u>\$ 39,303,750</u>
Outstanding debt applicable to the limit as a percentage of debt limit for sewer purposes	<u>1.34%</u>	<u>1.32%</u>	<u>1.20%</u>	<u>1.08%</u>	<u>0.98%</u>
Maximum total debt limit - 15%	<u>\$ 83,865,000</u>	<u>\$ 78,397,500</u>	<u>\$ 78,990,000</u>	<u>\$ 80,100,000</u>	<u>\$ 79,387,500</u>

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⁾
2007	9135	2,038,749	22,318	36	12.2	1418	4.2
2008	9093	2,029,376	22,318	36	12.2	1338	5
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

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