

2017

Town of Lisbon, Maine Annual Financial Report For The Fiscal Year Ended June 30, 2017

Lisbon, Me.

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Federal Compliance Audit

Town of Lisbon, Maine

June 30, 2017



Proven Expertise and Integrity



TOWN OF LISBON, MAINE

Diane Barnes, Town Manager

Lydia Colston, CPA, Finance Director

November 20, 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, 2017, 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, 2017 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, 2017 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 2017, 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: Franks, Legendary Status, Verizon IM, Expert Volvo, Lisbon Family Dentist, Golden Dragon Martial Arts Academy and Fitness, Daniel Buck Auction & Art and Smiley's Ice Cream, and Gentlemen's Quarters. Each of these businesses is within the Town's boundaries.

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 began construction spring of 2017.

2015 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 3.9% and the national average of 4.9%.

Local property tax revenues are driven primarily by the value of residential and commercial property, with property tax bills determined by the local government's

assessment of the value of property. Real estate and personal property tax collections typically lag the market values because local assessment practices take time to catch up with changes. As a result, current property tax bills and property tax collections typically reflect values of property that may be determined several years prior to their collection.

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

In 2017, of the fourteen communities comprising Androscoggin County, Lisbon accounted for 3.8% (\$51.1M) of all taxable retail sales recorded in the county and .2% statewide. Two communities, Lewiston and Auburn accounted for 83% of total taxable retail sales in Androscoggin County in 2017. However, the 2017 statistics are positive for Lisbon as there was a very modest uptick in sales. Unadjusted for inflation, the increase amounted approximately 20% or \$10.2 million in sales from 2014.

Long-term Financial Planning

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

Major Initiatives

Acknowledgements

As the management of the Town of Lisbon, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2017. 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, 2017

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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, 2017, 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, 2016 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, 2017, 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 Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 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.



Buxton, Maine
November 20, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

(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, 2017. 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 seven 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, and school QZAB/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, 2017.

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, 2017.

Government-Wide Financial Analysis

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

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

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | |
|--|--------------------------------|------------------------------|---------------------------------|-------------------------------|
| | <u>6/30/17</u> | <u>6/30/16</u> (Restated) | <u>12/31/16</u> | <u>12/31/15</u> (Restated) |
| Assets: | | | | |
| Current Assets | \$ 9,410,739 | \$ 8,200,341 | \$ 1,198,644 | \$ 1,144,080 |
| Capital Assets | 26,553,925 | 27,545,002 | 5,998,440 | 6,101,862 |
| Total Assets | <u>35,964,664</u> | <u>35,745,343</u> | <u>7,197,084</u> | <u>7,245,942</u> |
| Deferred Outflows of Resources: | | | | |
| Deferred Outflows Related to Pensions | 2,483,126 | 1,581,731 | 159,956 | 88,166 |
| Total Deferred Outflows of Resources | <u>2,483,126</u> | <u>1,581,731</u> | <u>159,956</u> | <u>88,166</u> |
| Liabilities: | | | | |
| Current Liabilities | 2,969,692 | 3,217,845 | 328,027 | 288,739 |
| Long-term Debt Outstanding | 20,026,490 | 18,341,891 | 2,738,547 | 2,899,784 |
| Total Liabilities | <u>22,996,182</u> | <u>21,559,736</u> | <u>3,066,574</u> | <u>3,188,523</u> |
| Deferred Inflows of Resources: | | | | |
| Prepaid Taxes | 32,448 | 33,729 | - | - |
| Regulatory Reserves | - | - | 314,808 | 292,208 |
| Deferred Inflows Related to Pensions | 827,274 | 1,109,341 | 57,935 | 76,261 |
| Total Deferred Inflows of Resources | <u>859,722</u> | <u>1,143,070</u> | <u>372,743</u> | <u>368,469</u> |
| Net Position: | | | | |
| Net Investment in Capital Assets | 9,087,533 | 10,256,268 | 3,246,043 | 3,103,147 |
| Restricted | 2,851,971 | 1,888,616 | - | - |
| Unrestricted | 2,652,382 | 2,479,384 | 671,680 | 673,969 |
| Total Net Position | <u>\$ 14,591,886</u> | <u>\$ 14,624,268</u> | <u>\$ 3,917,723</u> | <u>\$ 3,777,116</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 \$14,591,886 at June 30, 2017 for the governmental activities.

The largest portion of the Town's net position (62.3%) 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 (19.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net

position (\$2,652,382 and 18.2% 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, 2017 and 2016.

The Town's governmental net position decreased \$32,382 during the fiscal year ended June 30, 2017. Governmental current assets increased \$1,210,398 which reflects increases in cash and investment balances. Capital assets decreased \$991,077 reflecting purchases of \$540,044 and depreciation expense of \$1,531,121. Long term liabilities increased by \$1,684,599. Restricted fund balances increased \$963,355 and unrestricted fund balances increased \$172,998.

The Town's total business-type net position increased by \$140,607 from \$3,777,116 to \$3,917,723. Unrestricted net position for business-type activities decreased to a balance of \$671,680.

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

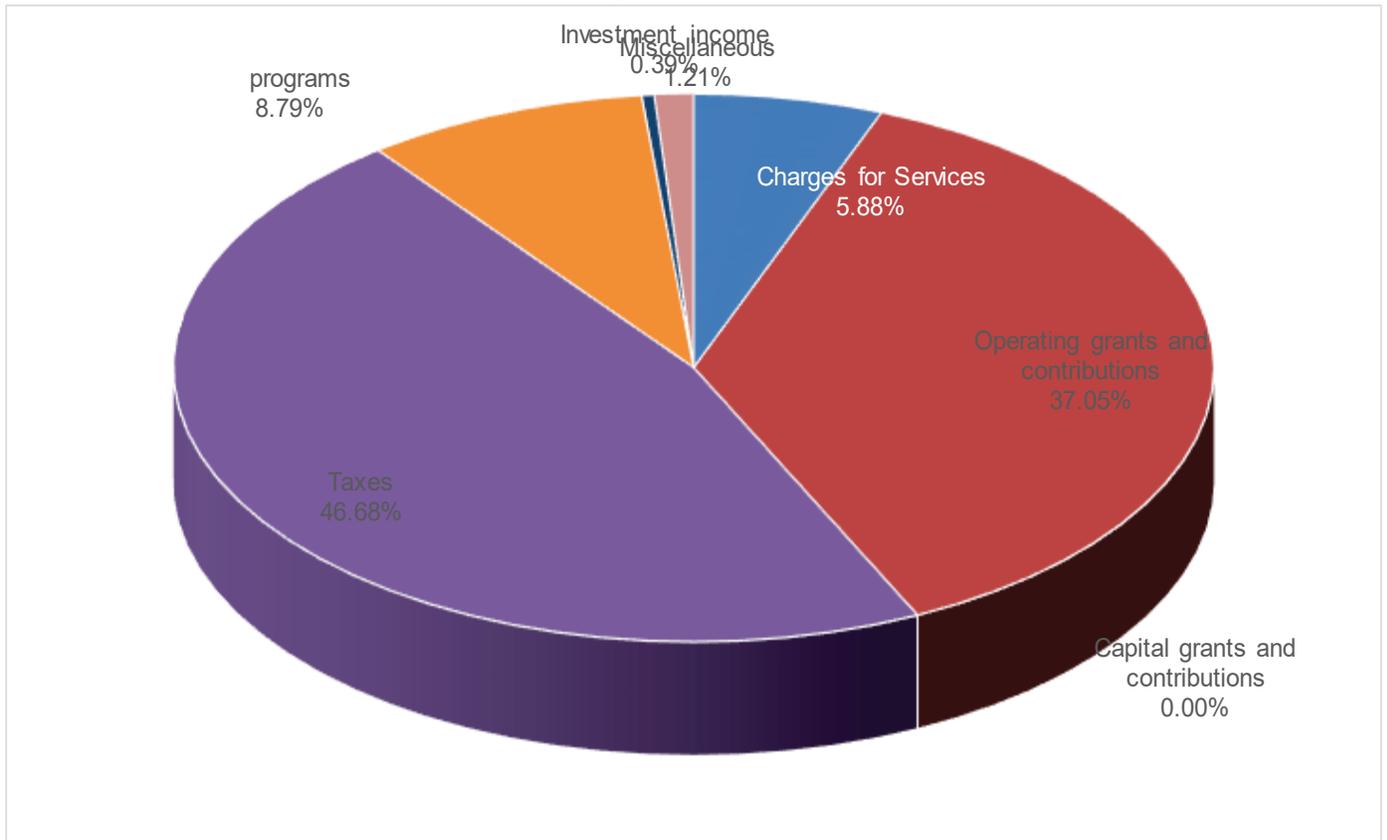
Revenues and Expenses

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

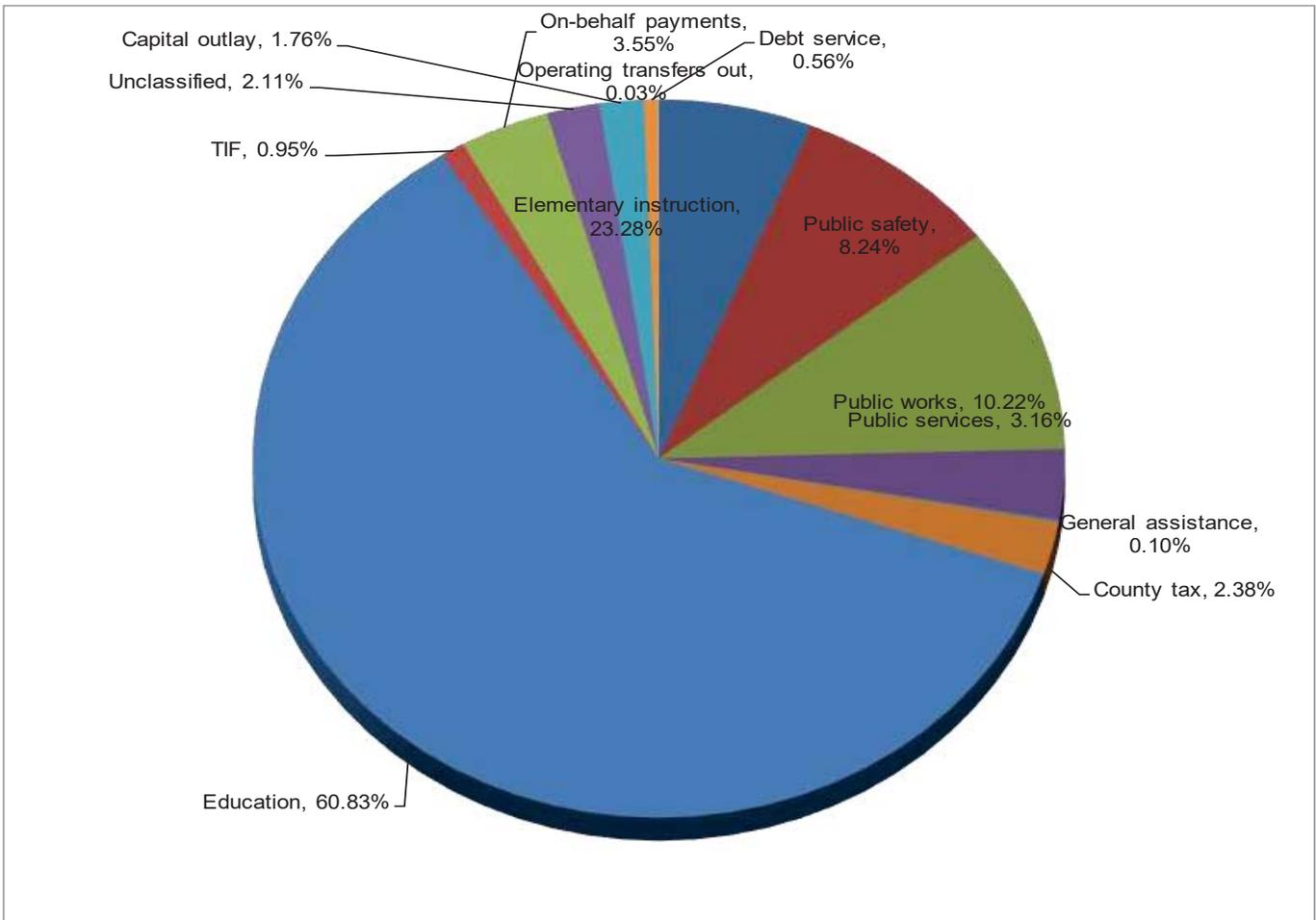
| | Governmental Activities | | Business-type Activities | |
|--|-------------------------|----------------------|--------------------------|---------------------|
| | 6/30/17 | 6/30/16 | 12/31/16 | 12/31/15 |
| Revenues | | | | |
| <i>Program Revenues:</i> | | | | |
| Charges for services | \$ 1,681,283 | \$ 1,662,347 | \$ 1,016,838 | \$ 1,017,963 |
| Operating grants and contributions | 10,590,017 | 10,322,295 | - | - |
| Capital grants and contributions | - | - | - | - |
| <i>General Revenues:</i> | | | | |
| Taxes | 13,343,644 | 12,433,158 | - | - |
| Grants and contributions not restricted to specific programs | 2,512,719 | 2,402,626 | - | - |
| Investment income | 111,578 | 96,750 | - | - |
| Miscellaneous | 345,719 | 610,418 | 79,223 | 86,846 |
| Total Revenues | 28,584,960 | 27,527,594 | 1,096,061 | 1,104,809 |
| Expenses | | | | |
| General government | 1,855,592 | 1,794,571 | - | - |
| Public safety | 2,237,706 | 2,237,724 | - | - |
| Public works | 4,258,599 | 3,973,457 | - | - |
| Public services | 859,242 | 780,797 | - | - |
| General assistance | 25,878 | 24,362 | - | - |
| Education | 16,062,330 | 14,761,608 | - | - |
| County tax | 603,356 | 600,621 | - | - |
| TIF | 241,548 | 264,897 | - | - |
| Unclassified | 533,846 | 34,097 | - | - |
| Water department | - | - | 955,454 | 882,544 |
| State of Maine on-behalf payments | 1,882,001 | 1,201,884 | - | - |
| Interest on long-term debt | 11,335 | 204,275 | - | - |
| Capital outlay | 45,909 | 4,137,856 | - | - |
| Total Expenses | 28,617,342 | 30,016,149 | 955,454 | 882,544 |
| Change in Net Position | (32,382) | (2,488,555) | 140,607 | 222,265 |
| Net Position - July 1, Restated | 14,624,268 | 17,112,823 | 3,777,116 | 3,554,851 |
| Net Position - June 30 | <u>\$ 14,591,886</u> | <u>\$ 14,624,268</u> | <u>\$ 3,917,723</u> | <u>\$ 3,777,116</u> |

**Town of Lisbon, Maine
Revenues Pie Chart
For the Year Ended June 30,
2017**



Charges for services are primarily comprised of police and dispatch, animal control and school services. Taxes of \$13,343,644 increased \$910,486 during fiscal year 2017 from the period ending June 30, 2016. 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, 2017**



The Town's expenses totaled \$28,617,342 for fiscal year ended June 30, 2017 as compared to \$30,016,149 for the period ended June 30, 2016. Education accounts for the majority of expenses representing 56.13% of the total for fiscal year 2017. Public safety expenses related to the operations of the Police Department and Fire Department accounted for 7.82% of the total and Public Works expenses accounted for 14.88% of the total.

Revenues for the Department's water activities decreased by \$8,748, while total expenses increased by \$72,910. The decrease in revenues was primarily due to a decrease in miscellaneous revenues. 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, 2017, the governmental funds had a combined fund balance of \$7,949,088. This reflects an increase from the prior year fund balance of \$6,423,229. The General Fund, which is the main operating fund of the Town of Lisbon, reported a current year increase of \$1,714,413 in fund balance. The other major fund balances decreased by \$206,841. The nonmajor fund balances increased by \$18,287. General fund revenues of \$24,244,237 were \$311,145 higher than budget. Property taxes of \$11,810,536 were \$89,539 higher than budget. Excise tax revenues of \$1,583,471 were \$179,471 greater than budget with stronger than anticipated automobile sales.

The Town's operating expenditures of \$23,978,344 were \$2,054,566 less than budget. The Town has continued its efforts to reduce expenditures wherever possible throughout the year. General government expenditures of \$1,550,011 were \$30,700 lower than budget. Public safety expenditures of \$2,089,404 were under budget by \$68,250. Public works expenditures of \$2,590,374 were under budget by \$234,778.

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 \$167,392.

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

| | 2017 | 2016 (Restated) |
|------------------------|--------------|----------------------------|
| Major Funds: | | |
| General Fund: | | |
| Nonspendable | \$ 10,939 | \$ 22,301 |
| Restricted | 1,957,559 | 829,973 |
| Assigned | 495,957 | 453,514 |
| Unassigned | 3,310,908 | 2,755,162 |
| Total General Fund | 5,775,363 | 4,060,950 |
| Loan Program: | | |
| Nonspendable | 238,772 | 325,282 |
| Committed | 717,988 | 634,739 |
| School Capital Fund: | | |
| Committed | 62,380 | 111,485 |
| Gym Bond Fund: | | |
| Restricted | - | 135,274 |
| Track Bond Fund: | | |
| School QZAB/QECB Fund: | | |
| Restricted | - | 19,201 |
| Total Major Funds | \$ 1,019,140 | \$ 1,225,981 |
| Nonmajor Funds: | | |
| Special Revenue Funds: | | |
| Nonspendable | \$ 16,997 | \$ 16,997 |
| Restricted | 148,881 | 214,879 |
| Committed | 916,047 | 878,264 |
| Unassigned | (700) | - |
| Permanent Funds: | | |
| Nonspendable | 1,118 | 705 |
| Restricted | 26,425 | 25,453 |
| Total Nonmajor Funds | \$ 1,108,768 | \$ 1,136,298 |

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2017, the net book value of governmental-type capital assets recorded by the Town decreased by \$991,077. This increase was a result of capital additions of \$540,044 less current year depreciation expense of \$1,531,121.

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

| | Governmental Activities | |
|----------------------------|-------------------------|----------------------|
| | <u>6/30/17</u> | <u>6/30/16</u> |
| Land and improvements | \$ 1,048,575 | \$ 1,048,575 |
| Construction in progress | 4,431,891 | 4,431,891 |
| Buildings and improvements | 10,339,027 | 10,908,498 |
| Equipment and vehicles | 2,607,346 | 2,528,171 |
| Infrastructure | <u>8,127,086</u> | <u>8,627,867</u> |
| Total | <u>\$ 26,553,925</u> | <u>\$ 27,545,002</u> |

| | Business-type Activities | |
|------------|--------------------------|---------------------|
| | <u>12/31/16</u> | <u>12/31/15</u> |
| Water fund | <u>\$ 5,998,440</u> | <u>\$ 6,101,862</u> |
| Total | <u>\$ 5,998,440</u> | <u>\$ 6,101,862</u> |

Debt

As of June 30, 2017, the Town had a total of \$20,218,789 of long-term obligations outstanding. Of this amount, \$14,454,266 is in the form of general obligation bonds that are backed by the full faith and credit of the Town government. Normally, the debt service on the general obligation bonds is paid with a component of the property tax levy. Typically, the School Department enjoys a shared cost of debt service with the State of Maine for any project that the State of Maine deems to be necessary as approved by the State Board of Education and the Commissioner of the Department of Education. The Town issued G.O. Bond Series 2014A and G.O. Bond Series 2014B for the construction of a gymnasium and track. These projects did not receive any State of Maine participation. Therefore, bonds of \$5,126,143 and \$400,000 are solely the responsibility of the Town of Lisbon's taxpayers.

Included in long-term debt outstanding at the end of 2017 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 | |
|------------------------------|-------------------------|----------------------|--------------------------|---------------------|
| | 6/30/17 | 6/30/16 | 12/31/16 | 12/31/15 |
| General obligation bonds | \$ 14,454,266 | \$ 14,305,766 | \$ 2,752,397 | \$ 2,998,715 |
| Capital leases payable | 3,012,126 | 2,982,968 | - | - |
| Accrued compensated absences | 482,643 | 542,679 | 18,255 | 14,582 |
| Net pension liability | 3,836,211 | 2,253,570 | 254,114 | 139,892 |
| Total | <u>\$ 21,785,246</u> | <u>\$ 20,084,983</u> | <u>\$ 3,024,766</u> | <u>\$ 3,153,189</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, 2017, 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 2017 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 2017-2017 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 2015-2017, 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, 2017

| | Primary Government | | |
|--|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 8,276,994 | \$ 566,132 | \$ 8,843,126 |
| Note receivable | 249,711 | - | 249,711 |
| Accounts receivable (net of allowance for uncollectibles): | | | |
| Taxes | 52,898 | - | 52,898 |
| Liens | 241,192 | - | 241,192 |
| Other | 358,195 | 71,268 | 429,463 |
| Accrued revenue | - | 113,923 | 113,923 |
| Prepaid items | - | 4,511 | 4,511 |
| Due from other governments | 214,752 | - | 214,752 |
| Inventory | 16,997 | 44,555 | 61,552 |
| Total current assets | <u>9,410,739</u> | <u>800,389</u> | <u>10,211,128</u> |
| Noncurrent assets: | | | |
| Capital assets | | | |
| Land and other assets not being depreciated | 5,480,466 | 129,805 | 5,610,271 |
| Buildings, equipment, vehicles and infrastructure, net of accumulated depreciation | <u>21,073,459</u> | <u>5,868,635</u> | <u>26,942,094</u> |
| Total noncurrent assets | <u>26,553,925</u> | <u>5,998,440</u> | <u>32,552,365</u> |
| Other assets: | | | |
| Restricted cash | - | 398,255 | 398,255 |
| Total other assets | - | 398,255 | 398,255 |
| TOTAL ASSETS | <u>35,964,664</u> | <u>7,197,084</u> | <u>43,161,748</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows related to pensions | 2,483,126 | 159,956 | 2,643,082 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>2,483,126</u> | <u>159,956</u> | <u>2,643,082</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 38,447,790</u> | <u>\$ 7,357,040</u> | <u>\$ 45,804,830</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 316,572 | \$ 11,147 | \$ 327,719 |
| Customer deposits | - | 1,000 | 1,000 |
| Payroll related liabilities | 894,364 | - | 894,364 |
| Accrued interest | - | 14,392 | 14,392 |
| Accrued payroll | - | 15,269 | 15,269 |
| Current portion of long-term obligations | <u>1,758,756</u> | <u>286,219</u> | <u>2,044,975</u> |
| Total current liabilities | <u>2,969,692</u> | <u>328,027</u> | <u>3,297,719</u> |
| Noncurrent liabilities: | | | |
| Noncurrent portion of long-term obligations: | | | |
| Bonds payable | 12,951,433 | 2,503,698 | 15,455,131 |
| Capital leases payable | 2,756,203 | - | 2,756,203 |
| Accrued compensated absences | 482,643 | - | 482,643 |
| Net pension liability | <u>3,836,211</u> | <u>234,849</u> | <u>4,071,060</u> |
| Total noncurrent liabilities | <u>20,026,490</u> | <u>2,738,547</u> | <u>22,765,037</u> |
| TOTAL LIABILITIES | <u>22,996,182</u> | <u>3,066,574</u> | <u>26,062,756</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Prepaid taxes | 32,448 | - | 32,448 |
| Regulatory reserves | - | 314,808 | 314,808 |
| Deferred inflows related to pensions | <u>827,274</u> | <u>57,935</u> | <u>885,209</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>859,722</u> | <u>372,743</u> | <u>1,232,465</u> |
| NET POSITION | | | |
| Net investment in capital assets | 9,087,533 | 3,246,043 | 12,333,576 |
| Restricted | 2,851,971 | - | 2,851,971 |
| Unrestricted | <u>2,652,382</u> | <u>671,680</u> | <u>3,324,062</u> |
| TOTAL NET POSITION | <u>14,591,886</u> | <u>3,917,723</u> | <u>18,509,609</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | <u>\$ 38,447,790</u> | <u>\$ 7,357,040</u> | <u>\$ 45,804,830</u> |

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

TOWN OF LISBON, MAINE
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2017

| 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 | \$ 1,855,592 | \$ 174,451 | \$ - | \$ (1,681,141) | \$ - | \$ (1,681,141) |
| Public safety | 2,237,706 | 258,738 | - | (1,978,968) | - | (1,978,968) |
| Public works | 4,258,599 | 1,009,348 | 96,964 | (3,152,287) | - | (3,152,287) |
| Public services | 859,242 | 116,442 | - | (742,800) | - | (742,800) |
| General assistance | 25,878 | - | 9,979 | (15,899) | - | (15,899) |
| Education | 16,062,330 | 102,325 | 8,601,073 | (7,358,932) | - | (7,358,932) |
| County tax | 603,356 | - | - | (603,356) | - | (603,356) |
| TIF | 241,548 | - | - | (241,548) | - | (241,548) |
| Unclassified | 533,846 | 19,979 | - | (513,867) | - | (513,867) |
| State of Maine on-behalf payments | 1,882,001 | - | 1,882,001 | - | - | - |
| Interest on debt | 11,335 | - | - | (11,335) | - | (11,335) |
| Capital outlay | 45,909 | - | - | (45,909) | - | (45,909) |
| Total government | 28,617,342 | 1,681,283 | 10,590,017 | (16,346,042) | - | (16,346,042) |
| Business-type activities: | | | | | | |
| Water fund | 955,454 | 1,066,884 | - | - | 111,430 | 111,430 |
| Total business-type activities | 955,454 | 1,066,884 | - | - | 111,430 | 111,430 |
| Total primary government | \$ 955,454 | \$ 2,748,167 | \$ 10,590,017 | (16,346,042) | 111,430 | (16,234,612) |

STATEMENT B (CONTINUED)

TOWN OF LISBON, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|----------------------|
| Changes in net position: | | | |
| Net (expense) revenue | <u>(16,346,042)</u> | <u>111,430</u> | <u>(16,234,612)</u> |
| General revenues: | | | |
| Taxes: | | | |
| Property taxes, levied for general purposes | 11,760,173 | - | 11,760,173 |
| Excise taxes | 1,583,471 | - | 1,583,471 |
| Grants and contributions not restricted to specific programs | 2,512,719 | - | 2,512,719 |
| Investment income | 111,578 | 3,109 | 114,687 |
| Miscellaneous | <u>345,719</u> | <u>26,068</u> | <u>371,787</u> |
| Total general revenues | <u>16,313,660</u> | <u>29,177</u> | <u>16,342,837</u> |
| Change in net position | (32,382) | 140,607 | 108,225 |
| NET POSITION - JULY 1, RESTATED | <u>14,624,268</u> | <u>3,777,116</u> | <u>18,401,384</u> |
| NET POSITION - JUNE 30 | <u>\$ 14,591,886</u> | <u>\$ 3,917,723</u> | <u>\$ 18,509,609</u> |

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

STATEMENT C

TOWN OF LISBON, MAINE

BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2017

| | General Fund | Loan Program Fund | School Capital Fund | Gym Bond Fund | Track Bond Fund | School QZAB/QECB Fund | Nonmajor Funds | Total Governmental Funds |
|---|---------------------|---------------------|---------------------|---------------|-----------------|-----------------------|---------------------|--------------------------|
| ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ 7,240,616 | \$ 972,735 | \$ - | \$ - | \$ - | \$ - | \$ 63,643 | \$ 8,276,994 |
| Accounts receivable (net of allowance for uncollectibles): | | | | | | | | |
| Taxes | 52,898 | - | - | - | - | - | - | 52,898 |
| Liens | 241,192 | - | - | - | - | - | - | 241,192 |
| Other | 171,038 | - | - | - | - | - | 187,157 | 358,195 |
| Notes, net of allowance | 10,939 | 238,772 | - | - | - | - | - | 249,711 |
| Due from other governments | 16,535 | - | - | - | - | - | 198,217 | 214,752 |
| Inventory | - | - | - | - | - | - | 16,997 | 16,997 |
| Due from other funds | 398,337 | - | 62,380 | - | - | - | 842,010 | 1,302,727 |
| TOTAL ASSETS | \$ 8,131,555 | \$ 1,211,507 | \$ 62,380 | \$ - | \$ - | \$ - | \$ 1,308,024 | \$ 10,713,466 |
| LIABILITIES | | | | | | | | |
| Accounts payable | \$ 306,723 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 9,849 | \$ 316,572 |
| Accrued payroll and related items | 894,364 | - | - | - | - | - | - | 894,364 |
| Due to other funds | 904,390 | 254,747 | - | - | - | - | 143,590 | 1,302,727 |
| TOTAL LIABILITIES | 2,105,477 | 254,747 | - | - | - | - | 153,439 | 2,513,663 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | | |
| Prepaid taxes | 32,448 | - | - | - | - | - | - | 32,448 |
| Deferred revenue - property taxes | 218,267 | - | - | - | - | - | - | 218,267 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 250,715 | - | - | - | - | - | - | 250,715 |
| FUND BALANCES | | | | | | | | |
| Nonspendable | 10,939 | 238,772 | - | - | - | - | 18,115 | 267,826 |
| Restricted | 1,957,559 | 717,988 | - | - | - | - | 175,306 | 2,850,853 |
| Committed | - | - | 62,380 | - | - | - | 916,047 | 978,427 |
| Assigned | 495,957 | - | - | - | - | - | 45,817 | 541,774 |
| Unassigned | 3,310,908 | - | - | - | - | - | (700) | 3,310,208 |
| TOTAL FUND BALANCES | 5,775,363 | 956,760 | 62,380 | - | - | - | 1,154,585 | 7,949,088 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 8,131,555 | \$ 1,211,507 | \$ 62,380 | \$ - | \$ - | \$ - | \$ 1,308,024 | \$ 10,713,466 |

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, 2017

| | <u>Total Governmental Funds</u> |
|---|---|
| Total Fund Balances | \$ 7,949,088 |
| 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 | 26,553,925 |
| 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 | 218,267 |
| Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds | 2,483,126 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: | |
| Bonds payable | (14,454,266) |
| Capital leases payable | (3,012,126) |
| Accrued compensated absences | (482,643) |
| Net pension liability | (3,836,211) |
| Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds | <u>(827,274)</u> |
| Net position of governmental activities | <u><u>\$ 14,591,886</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, 2017

| | General Fund | Loan Program Fund | School Capital Fund | Gym Bond Fund | Track Bond Fund | School QZAB/QECB Fund | Nonmajor Funds | Total Governmental Funds |
|--|---------------------|----------------------|------------------------|------------------|--------------------|-----------------------------|---------------------|--------------------------------|
| REVENUES | | | | | | | | |
| Taxes: | | | | | | | | |
| Property | \$ 11,810,536 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 11,810,536 |
| Excise | 1,583,471 | - | - | - | - | - | - | 1,583,471 |
| Licences and permits | 75,355 | - | - | - | - | - | - | 75,355 |
| Intergovernmental | 10,926,486 | - | - | - | - | - | 1,194,807 | 12,121,293 |
| Investment income | 19,235 | - | - | - | - | - | 8,648 | 27,883 |
| Interest income | 64,668 | 18,305 | - | 722 | - | - | - | 83,695 |
| Charges for services | 581,231 | - | - | - | - | - | 1,170,837 | 1,752,068 |
| Other income | 188,846 | 1,674 | - | - | - | - | 79,844 | 270,364 |
| TOTAL REVENUES | 25,249,828 | 19,979 | - | 722 | - | - | 2,454,136 | 27,724,665 |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| General government | 1,550,011 | - | - | - | - | - | - | 1,550,011 |
| Public safety | 2,089,404 | - | - | - | - | - | - | 2,089,404 |
| Public works | 2,590,374 | - | - | - | - | - | 953,030 | 3,543,404 |
| Public services | 800,173 | 23,240 | - | - | - | - | 35,829 | 859,242 |
| General assistance | 25,878 | - | - | - | - | - | - | 25,878 |
| Education | 15,422,871 | - | - | - | - | - | 1,289,773 | 16,712,644 |
| County tax | 603,356 | - | - | - | - | - | - | 603,356 |
| TIF | 241,548 | - | - | - | - | - | - | 241,548 |
| Unclassified | 533,846 | - | - | - | - | - | - | 533,846 |
| State of Maine on-behalf payments | 900,558 | - | - | - | - | - | - | 900,558 |
| Capital outlay | 447,389 | - | 49,105 | - | - | - | - | 496,494 |
| Debt service - Town | 142,421 | - | - | - | - | - | - | 142,421 |
| TOTAL EXPENDITURES | 25,347,829 | 23,240 | 49,105 | - | - | - | 2,278,632 | 27,698,806 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (98,001) | (3,261) | (49,105) | 722 | - | - | 175,504 | 25,859 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Proceeds from long-term debt | 1,500,000 | - | - | - | - | - | - | 1,500,000 |
| Transfers in | 320,197 | - | - | - | - | - | 7,783 | 327,980 |
| Transfers (out) | (7,783) | - | - | (135,996) | - | (19,201) | (165,000) | (327,980) |
| TOTAL OTHER FINANCING SOURCES (USES) | 1,812,414 | - | - | (135,996) | - | (19,201) | (157,217) | 1,500,000 |
| NET CHANGE IN FUND BALANCES | 1,714,413 | (3,261) | (49,105) | (135,274) | - | (19,201) | 18,287 | 1,525,859 |
| FUND BALANCES - JULY 1, Restated | 4,060,950 | 960,021 | 111,485 | 135,274 | - | 19,201 | 1,136,298 | 6,423,229 |
| FUND BALANCES - JUNE 30 | \$ 5,775,363 | \$ 956,760 | \$ 62,380 | \$ - | \$ - | \$ - | \$ 1,154,585 | \$ 7,949,088 |

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, 2017

| | |
|---|---------------------|
| Net change in fund balances - total governmental funds (Statement E) | <u>\$ 1,525,859</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 | 540,044 |
| Depreciation expense | <u>(1,531,121)</u> |
| | <u>(991,077)</u> |
| Revenues in the Statement of Activities that do not provide current financial resources as revenues in the funds: | |
| Taxes and liens receivable | <u>(50,363)</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>901,395</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>1,609,693</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>282,067</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 | 60,036 |
| Net pension liability | <u>(1,582,641)</u> |
| | <u>(1,522,605)</u> |
| Change in net position of governmental activities (Statement B) | <u>\$ (32,382)</u> |

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

TOWN OF LISBON, MAINE

STATEMENT OF NET POSITION – PROPRIETARY FUNDS
DECEMBER 31, 2016

| | Enterprise Funds <u>Water Fund</u> |
|--|--|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 566,132 |
| Accounts receivable (net of allowance for uncollectibles) | 71,268 |
| Accrued revenue | 113,923 |
| Inventory | 44,555 |
| Prepaid items | 4,511 |
| Total current assets | <u>800,389</u> |
| Noncurrent assets: | |
| Capital assets: | |
| Property, plant and equipment | 8,993,944 |
| Total capital assets | <u>8,993,944</u> |
| Less: accumulated depreciation | <u>(2,995,504)</u> |
| Total noncurrent assets | <u>5,998,440</u> |
| Other assets: | |
| Restricted cash | 398,255 |
| Total other assets | <u>398,255</u> |
| TOTAL ASSETS | <u>7,197,084</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows related to pensions | 159,956 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>159,956</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 7,357,040</u> |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | \$ 11,147 |
| Customer deposits | 1,000 |
| Accrued interest | 14,392 |
| Accrued payroll | 15,269 |
| Current portion of long-term liabilities | 286,219 |
| Total current liabilities | <u>328,027</u> |
| Noncurrent liabilities: | |
| Noncurrent portion of long-term liabilities: | |
| Bonds payable | 2,503,698 |
| Net pension liability | 234,849 |
| Total noncurrent liabilities | <u>2,738,547</u> |
| TOTAL LIABILITIES | <u>3,066,574</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Regulatory reserves | 314,808 |
| Deferred inflows related to pensions | 57,935 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>372,743</u> |
| NET POSITION | |
| Net investment in capital assets | 3,246,043 |
| Unrestricted | 671,680 |
| TOTAL NET POSITION | <u>3,917,723</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | <u>\$ 7,357,040</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
 YEAR ENDED DECEMBER 31, 2016

| | Enterprise Funds |
|--|----------------------------|
| | <u>Water Fund</u> |
| OPERATING REVENUES | |
| Residential | \$ 571,461 |
| Commercial | 72,475 |
| Industrial | 2,863 |
| Public Authorities | 22,594 |
| Public Fire Protection | 325,733 |
| Private Fire Protection | 21,712 |
| Miscellaneous income | 26,068 |
| TOTAL OPERATING REVENUES | <u>1,042,906</u> |
| OPERATING EXPENSES | |
| Salaries and benefits | 455,671 |
| Power | 37,196 |
| Materials and supplies | 39,162 |
| Contractual services | 111,733 |
| Transportation | 12,291 |
| Insurance | 15,621 |
| Dues and fees | 7,305 |
| Depreciation | 192,402 |
| Miscellaneous expenses | 4,133 |
| TOTAL OPERATING EXPENSES | <u>875,514</u> |
| OPERATING INCOME (LOSS) | <u>167,392</u> |
| NONOPERATING REVENUES (EXPENSES) | |
| Interest income | 3,109 |
| Rental income | 50,046 |
| Interest expense | (79,940) |
| TOTAL NONOPERATING REVENUES (EXPENSES) | <u>(26,785)</u> |
| CHANGE IN NET POSITION | 140,607 |
| NET POSITION - JANUARY 1, RESTATED | <u>3,777,116</u> |
| NET POSITION - DECEMBER 31 | <u><u>\$ 3,917,723</u></u> |

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

TOWN OF LISBON, MAINE

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

| | Enterprise Funds <u>Water Fund</u> |
|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers | \$ 1,013,336 |
| Other receipts | 26,068 |
| Payments to employees | (428,996) |
| Payments to suppliers | (192,597) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>417,811</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Purchase of capital assets | (88,980) |
| Principal paid on capital debt | (246,318) |
| Interest paid on capital debt | (79,110) |
| NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(414,408)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest income | 3,109 |
| Rental income | 50,046 |
| (Increase) decrease in restricted cash | (907) |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | <u>52,248</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 55,651 |
| CASH AND CASH EQUIVALENTS - JANUARY 1 | <u>510,481</u> |
| CASH AND CASH EQUIVALENTS - DECEMBER 31 | <u>\$ 566,132</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | |
| Operating income (loss) | \$ 167,392 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | |
| Depreciation expense | 192,402 |
| Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources: | |
| (Increase) decrease in accounts receivable | (1,226) |
| (Increase) decrease in accrued revenue | 1,059 |
| (Increase) decrease in inventory | 2,059 |
| (Increase) decrease in prepaid expenses | 102 |
| (Increase) decrease in deferred outflows related to pensions | (71,790) |
| Increase (decrease) in accounts payable | 10,083 |
| Increase (decrease) in customer deposits | 831 |
| Increase (decrease) in advanced billing and payments | (4,166) |
| Increase (decrease) in accrued payroll | (1,104) |
| Increase (decrease) in net pension liability | 114,222 |
| Increase (decrease) in accrued compensated absences | 3,673 |
| Increase (decrease) in regulatory reserves | 22,600 |
| Increase (decrease) in deferred inflows related to pensions | (18,326) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>\$ 417,811</u> |

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

TOWN OF LISBON, MAINE

STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2017

| | <u>Private- purpose Trust Funds</u> | <u>Agency Funds Student Activities</u> |
|----------------------------|---|--|
| ASSETS | | |
| Cash and cash equivalents | <u>\$ 150,611</u> | <u>\$ 147,019</u> |
| TOTAL ASSETS | <u><u>\$ 150,611</u></u> | <u><u>\$ 147,019</u></u> |
| LIABILITIES | | |
| Held on behalf of others | <u>\$ -</u> | <u>\$ 147,019</u> |
| TOTAL LIABILITIES | <u><u>-</u></u> | <u><u>\$ 147,019</u></u> |
| NET POSITION | | |
| Restricted - held in trust | <u><u>\$ 150,611</u></u> | |

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

TOWN OF LISBON, MAINE

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

| | Private- purpose Trust |
|------------------------|------------------------------|
| ADDITIONS | |
| Contributions | \$ 755 |
| Investment earnings | 545 |
| TOTAL ADDITIONS | <u>1,300</u> |
| DEDUCTIONS | |
| Scholarships | <u>2,600</u> |
| TOTAL DEDUCTIONS | <u>2,600</u> |
| CHANGE IN NET POSITION | (1,300) |
| NET POSITION - JULY 1 | <u>151,911</u> |
| NET POSITION - JUNE 30 | <u><u>\$ 150,611</u></u> |

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

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017. 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, 2016. The amounts included in the Town's 2017 financial statements for the Water Department are as of and for the year ended December 31, 2016.

Implementation of New Accounting Standards

During the year ended June 30, 2017, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

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.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement No. 74, “*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*”. The objective of the Statement is to improve the disclosure of information about benefits other than pensions (other postemployment benefits or OPEB) included in financial statements of state and local governments. This Statement will improve financial reporting through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet specified criteria. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 77, “*Tax Abatement Disclosures*”. The objective of the Statement is to improve disclosure of information about the nature and magnitude of tax abatements, making these transactions more transparent to financial statement users. As such, users will be better equipped to understand (1) how tax abatements affect a government’s future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government’s financial position and economic condition. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 80, “*Blending Requirements for Certain Component Units*”. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 81, “*Irrevocable Split-Interest Agreements*”. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements—in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. As such, this Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 82, "*Pension Issues*". The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and 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. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Management has determined the impact of this Statement is not material to the financial statements.

Government-Wide and Fund Financial Statements

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

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

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

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities (general government, public safety, etc.). 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

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 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.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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.

Nonmajor Funds:

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

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Fiduciary Funds:

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

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

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

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Budget

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

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

| | |
|---------------------------------------|----------------------|
| Revenues per budgetary basis | \$ 24,244,737 |
| Add: On-behalf payments | 900,558 |
| Proceeds from bond | 1,500,000 |
| Revenues in carryforward accounts | 104,533 |
| Transfers in | <u>320,197</u> |
| Total GAAP basis | <u>\$ 27,070,025</u> |
| | |
| Expenditures per budgetary basis | \$ 23,978,344 |
| Add: On-behalf payments | 900,558 |
| Expenditures in carryforward accounts | 468,927 |
| Transfers out | <u>7,763</u> |
| Total GAAP basis | <u>\$ 25,355,612</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.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits and Investments

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

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

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

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

Receivables

Receivables include amounts due from governmental agencies, local businesses and an intermediary relending program. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with accounts receivable were \$429,463 for the year ended June 30, 2017. The allowance for uncollectible accounts is estimated to be \$ 0 as of June 30, 2017.

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).

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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".

Transactions Between Funds

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

Capital Assets

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

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

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Estimated useful lives are as follows:

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

Restricted Cash

As a condition of the 2010 and 2014 bond issues from the Maine Municipal Bond Bank, the proceeds must be spent on approved capital projects or be used to pay annual principal payments on the bond. As of December 31, 2015, cash received from the bond issues by the Lisbon Water Department totaling \$398,255 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.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2017, the Town's liability for compensated absences is \$482,643.

Pensions

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

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.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Revenue Recognition - Property Taxes - Modified Accrual Basis

The Town's property tax for the current year was levied July 26, 2016 on the assessed value listed as of April 1, 2016, for all real and personal property located in the Town. Taxes were due in two installments on September 15, 2016 and March 15, 2017. Interest on unpaid taxes commenced on September 16, 2016 and March 16, 2017, 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 \$225,676 for the year ended June 30, 2017.

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).

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The Town does not utilize encumbrance accounting for its general fund.

Use of Estimates

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

NOTE 2 – DEPOSITS AND INVESTMENTS

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

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits. The Town maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes. At June 30, 2017, the Town's cash balances amounting to \$9,140,756 were comprised of bank deposits of \$8,959,572. Of these bank deposits, \$8,959,572 was fully insured by federal depository insurance, or other collateralization and consequently was not exposed to custodial credit risk.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

| <u>Account Type</u> | <u>Bank Balance</u> |
|-------------------------|-------------------------|
| Checking accounts | \$ 5,023,545 |
| Savings accounts | 195,191 |
| Money market accounts | 2,266,749 |
| Sweep accounts | 1,457,672 |
| Certificates of deposit | 16,415 |
| | <u>\$ 8,959,572</u> |

Investments:

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

At June 30, 2017, 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, 2017:

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2017 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 \$ 0 that are excluded from the hierarchy as these deposits are considered held to maturity and are therefore not measured at fair value.

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, 2017 consisted of the following individual fund receivables and payables:

| | Receivables (Due From) | Payables (Due To) |
|--------------------------------|---------------------------|----------------------|
| General Fund | \$ 398,337 | \$ 904,390 |
| Loan Program | - | 254,747 |
| School Capital Fund | 62,380 | |
| Gym Bond Fund | - | - |
| Track Bond Fund | - | - |
| Nonmajor Special Revenue Funds | 842,010 | 143,590 |
| | <u>\$ 1,302,727</u> | <u>\$ 1,302,727</u> |

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2017:

| | Balance 7/1/16 | Additions | Disposals | Balance 6/30/17 |
|---------------------------------------|----------------------|---------------------|-------------|----------------------|
| <u>Governmental activities:</u> | | | | |
| Non-depreciated assets: | | | | |
| Land | \$ 1,048,575 | \$ - | \$ - | \$ 1,048,575 |
| Construction in progress | 4,431,891 | - | - | 4,431,891 |
| | <u>5,480,466</u> | <u>-</u> | <u>-</u> | <u>5,480,466</u> |
| Depreciated assets: | | | | |
| Buildings | 26,403,123 | 61,782 | - | 26,464,905 |
| Equipment and vehicles | 7,996,632 | 478,262 | - | 8,474,894 |
| Infrastructure | 22,010,309 | - | - | 22,010,309 |
| | 56,410,064 | 540,044 | - | 56,950,108 |
| Less: accumulated depreciation | (34,345,528) | (1,531,121) | - | (35,876,649) |
| | <u>22,064,536</u> | <u>(991,077)</u> | <u>-</u> | <u>21,073,459</u> |
| Net capital assets | <u>\$ 27,545,002</u> | <u>\$ (991,077)</u> | <u>\$ -</u> | <u>\$ 26,553,925</u> |
| <u>Current year depreciation:</u> | | | | |
| General government | | | | \$ 112,292 |
| Education | | | | 555,332 |
| Public safety | | | | 148,302 |
| Public works including infrastructure | | | | 715,195 |
| Total depreciation expenses | | | | <u>\$ 1,531,121</u> |

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 - CAPITAL ASSETS (CONTINUED)

| | Balance, 1/1/16 | Additions | Disposals | Balance, 12/31/16 |
|----------------------------------|---------------------|---------------------|-----------------|----------------------|
| <u>Business-type activities:</u> | | | | |
| Non-depreciated assets: | | | | |
| Land | \$ 94,002 | \$ - | \$ - | \$ 94,002 |
| Construction in progress | - | 35,803 | - | 35,803 |
| | <u>94,002</u> | <u>35,803</u> | <u>-</u> | <u>129,805</u> |
| Depreciated assets: | | | | |
| Structures and improvements | 1,566,387 | 7,500 | (3,500) | 1,570,387 |
| Wells and springs | 220,805 | - | - | 220,805 |
| Pumping equipment | 578,258 | - | - | 578,258 |
| Water treatment equipment | 865,457 | 8,306 | (5,000) | 868,763 |
| Reservoir | 159,421 | - | - | 159,421 |
| Mains | 3,960,111 | 11,666 | (500) | 3,971,277 |
| Services | 542,457 | 7,382 | (2,500) | 547,339 |
| Meters | 284,590 | 18,323 | (9,500) | 293,413 |
| Hydrants | 323,503 | - | - | 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 | 41,120 | - | - | 41,120 |
| Communications equipment | 143,500 | - | - | 143,500 |
| Miscellaneous equipment | 22,456 | - | - | 22,456 |
| | <u>8,831,962</u> | <u>53,177</u> | <u>(21,000)</u> | <u>8,864,139</u> |
| Less: accumulated depreciation | <u>(2,824,102)</u> | <u>(192,402)</u> | <u>21,000</u> | <u>(2,995,504)</u> |
| Net capital assets | <u>6,007,860</u> | <u>(139,225)</u> | <u>-</u> | <u>5,868,635</u> |
| Total net capital assets | <u>\$ 6,101,862</u> | <u>\$ (103,422)</u> | <u>\$ -</u> | <u>\$ 5,998,440</u> |

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5 – LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2017:

| | Balance 7/1/16 | Additions | Reductions | Balance 6/30/17 | Due Within One Year |
|---------------------------------|----------------------|---------------------|-----------------------|----------------------|---------------------------|
| <u>Governmental activities:</u> | | | | | |
| Bonds payable | \$ 14,305,766 | \$ 1,500,000 | \$ (1,351,500) | \$ 14,454,266 | \$ 1,502,833 |
| Capital leases payable | 2,982,968 | 287,351 | (258,193) | 3,012,126 | 255,923 |
| Accrued compensated absences | 542,679 | - | (60,036) | 482,643 | - |
| Net pension liability | 2,253,570 | 2,137,944 | (555,303) | 3,836,211 | - |
| Totals | <u>\$ 20,084,983</u> | <u>\$ 3,925,295</u> | <u>\$ (2,225,032)</u> | <u>\$ 21,785,246</u> | <u>\$ 1,758,756</u> |

| | Balance, 1/1/16 | Additions | Reductions | Balance, 12/31/16 | Due within one year |
|---------------------------------|---------------------|-------------------|---------------------|----------------------|------------------------|
| Bonds payable | \$ 2,998,715 | \$ - | \$ (246,318) | \$ 2,752,397 | \$ 248,699 |
| Net pension liability | 139,892 | 114,222 | - | 254,114 | 19,265 |
| Accrued compensated absences | 14,582 | 3,673 | - | 18,255 | 18,255 |
| | <u>\$ 3,153,189</u> | <u>\$ 117,895</u> | <u>\$ (246,318)</u> | <u>\$ 3,024,766</u> | <u>\$ 286,219</u> |

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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. | \$ 200,969 | \$ - |
| \$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. | - | 5,159,888 |
| \$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. | 122,508 | - |
| \$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. | 122,500 | - |
| \$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. | 225,000 | - |
| \$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. | 180,000 | - |
| \$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. | 393,258 | - |
| \$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. | 749,000 | - |
| \$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. | - | 140,000 |

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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. | 135,000 | - |
| \$5,695,714, 2014A 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. | - | 5,126,143 |
| \$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. | | 400,000 |
| \$1,500,000, 2017B General Obligation Bond due in annual principal installments and semiannual interest installments through November 2027. Interest is charged at a rate from 1.263% to 2.71% per annum. Annual principal installments are \$150,000. | - | 1,500,000 |
| Total Bonds Payable - Governmental Activities | <u>\$ 2,128,235</u> | <u>\$ 12,326,031</u> |

| | Business-type Activities |
|--|-----------------------------|
| Bonds Payable: | |
| Bond payable to Maine Municipal Bond Bank, due in annual principal and interest payments of \$174,937. Interest is charged at an annual rate of 2.05%. Maturity in 2024. | \$ 1,299,489 |
| 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. | 176,850 |
| 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. | 679,000 |
| 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>597,058</u> |
| Total Bonds Payable | <u>\$ 2,752,397</u> |

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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 |
| 2018 | \$ 1,502,833 | \$ 430,394 | \$ 1,933,227 |
| 2019 | 1,504,229 | 389,155 | 1,893,384 |
| 2020 | 1,505,685 | 348,793 | 1,854,478 |
| 2021 | 1,376,128 | 308,401 | 1,684,529 |
| 2022 | 1,308,768 | 269,059 | 1,577,827 |
| 2023-2027 | 4,764,340 | 765,546 | 5,529,886 |
| 2028-2032 | 1,637,926 | 301,553 | 1,939,479 |
| 2033-2037 | 854,357 | 48,305 | 902,662 |
| | <u>\$ 14,454,266</u> | <u>\$ 2,861,206</u> | <u>\$ 17,315,472</u> |

| | Business-type Activities | | |
|-----------|--------------------------|-------------------|---------------------|
| | Principal | Interest | Total |
| 2017 | \$ 248,699 | \$ 73,088 | \$ 321,787 |
| 2018 | 251,260 | 68,505 | 319,765 |
| 2019 | 254,011 | 63,601 | 317,612 |
| 2020 | 256,959 | 58,785 | 315,744 |
| 2021 | 260,110 | 53,795 | 313,905 |
| 2022-2026 | 982,002 | 170,954 | 1,152,956 |
| 2027-2031 | 374,304 | 56,604 | 430,908 |
| 2032-2036 | 125,052 | 8,954 | 134,006 |
| | <u>\$ 2,752,397</u> | <u>\$ 554,286</u> | <u>\$ 3,306,683</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, 2017

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, 2017 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, 2017:

| | |
|------------------------|-----------|
| 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, 2017

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: | |
|--|----------------------------|
| 2018 | \$ 463,661 |
| 2019 | 420,421 |
| 2020 | 341,710 |
| 2021 | 270,951 |
| 2022 | 270,951 |
| 2023-2027 | 1,062,814 |
| 2028-2032 | <u>1,025,501</u> |
| Total minimum lease payment | 3,856,009 |
| Less amount representing interest | <u>(843,883)</u> |
| Present value of future minimum lease payments | <u><u>\$ 3,012,126</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, 2017

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, 2017, the Town had the following nonspendable fund balances:

| | |
|--------------------------------|-------------------|
| General Fund : | |
| Notes Receivable | \$ 10,939 |
| Loan Program Fund | 238,772 |
| Nonmajor Special Revenue Funds | 16,997 |
| Nonmajor Permanent Funds | 1,118 |
| | <u>\$ 267,826</u> |

NOTE 7 – RESTRICTED FUND BALANCES

At June 30, 2017, the Town had the following restricted fund balances:

| | |
|--------------------------------|---------------------|
| General Fund: | |
| Education | \$ 537,704 |
| Loan Proceeds | 1,419,855 |
| Loan Program Fund | 717,988 |
| Nonmajor Special Revenue Funds | 148,881 |
| Nonmajor Permanent Funds | 26,425 |
| | <u>\$ 2,850,853</u> |

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 – COMMITTED FUND BALANCES

At June 30, 2017, the Town had the following committed fund balances:

| | |
|--------------------------------|-------------------|
| School Capital Fund | \$ 62,380 |
| Nonmajor Special Revenue Funds | 916,047 |
| | <u>\$ 978,427</u> |

NOTE 9 – ASSIGNED FUND BALANCES

At June 30, 2017, the Town had the following assigned fund balances:

| | |
|---------------------------|-------------------|
| General Fund: | |
| DOT Match | \$ 29,561 |
| Animal Control | 7,105 |
| Summer Reading | 719 |
| TIF Dingley | 179,356 |
| Public Safety | (763) |
| TIF Kelly Park | 5,356 |
| Downtown TIF | 29,292 |
| Fire Truck Replacement | 131,952 |
| Police Forfeiture | 20,758 |
| Brownfield Grant | 8 |
| Downtown Grant | 231 |
| Façade Grant | (328) |
| Cemetery Donation | 384 |
| Fire Department Donations | 2,062 |
| Wellness | (268) |
| Playground Donations | 5,317 |
| Giving Tree | 2,785 |
| Heating Assistance | 644 |
| Grants match | 50,000 |
| Buildings | 24,926 |
| Assessing | 6,860 |
| | <u>\$ 495,957</u> |

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLANS

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

PARTICIPATING LOCAL DISTRICT CONSOLIDATED PLAN

Plan Description

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

Benefits Provided

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

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 5.0%.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Contributions

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. The Town's 2C plan members are required to contribute 8.0% of their annual covered salary and the Town's AC plan members (including the Lisbon Water Department) are also required to contribute 8.0% of their annual salary. The Town is required to contribute at an actuarially determined rate. The current rate is 9.1% for the 2C plan and 9.5% for the AC plan of covered payroll. The contribution rates of plan members and the Town are established and may be amended by the Maine Public Employee Retirement Systems advisory group. The Town's contribution to the MainePERS PLD Consolidated Plan for the year ended June 30, 2017 was \$296,008. The Lisbon Water Department's contribution to the MainePERS PLD Consolidated Plan for the year ended December 31, 2016 was \$14,907.

STATE EMPLOYEE AND TEACHER PLAN

Plan Description

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

Benefits Provided

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

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 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 \$7,470,720 for the year ended June 30, 2017. 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 \$900,558 for the year ended June 30, 2017. 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 \$250,968 for 2017. In addition, the Town is required to contribute toward the UAL of the plan and pay a small percentage of payroll towards the administrative costs for federally funded teachers, which amounts to 10.57% of compensation and totaled \$38,954 the year ended June 30, 2017.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Pension Liabilities

PLD Consolidated Plan

At June 30, 2017, the Town reported a liability of \$3,141,913 and the Lisbon Water Department reported a liability of \$254,114 for its proportionate share of the net pension liabilities for the plan. The net pension liabilities were measured as of June 30, 2016, 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, 2016, the Town's proportion was 0.591329%, which was an increase of 0.007954% from its proportion measured as of June 30, 2015. The Lisbon Water Department's proportion at June 30, 2016 was 0.047826%, which was an increase of 0.003978% from its proportion measured as of June 30, 2015.

SET Plan

At June 30, 2017, 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 | \$ 694,298 |
| State's proportionate share of the net pension liability associated with the Town | <u>9,967,895</u> |
| Total | <u>\$ 10,662,193</u> |

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

actuarially determined. At June 30, 2016, the Town's proportion was 0.039300%, which was an increase of 0.010241% from its proportion measured as of June 30, 2015.

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

For the year ended June 30, 2017, the Town recognized total pension expense of \$253,325 for the PLD plan and net expense of \$1,127,297 and revenue of \$981,443 for support provided by the State of Maine for the SET plan. For the year ended December 31, 2016, the Lisbon Water Department recognized net pension expense of \$50,355. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Town PLD Plan | | SET Plan | | Lisbon Water Department 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 | \$ 38,088 | \$ 202,084 | \$ 13,428 | \$ 1,311 | \$ 3,081 | \$ 16,344 |
| Changes of assumptions | 336,821 | - | - | 17,831 | 27,242 | - |
| Net difference between projected and actual earnings on pension plan investments | 1,161,040 | 483,209 | 221,705 | 90,845 | 93,903 | 39,081 |
| Changes in proportion and differences between contributions and proportionate share of contributions | 33,696 | 15,750 | 94,445 | 16,244 | 20,823 | 2,510 |
| Contributions subsequent to the measurement date | 296,008 | - | 289,922 | - | 14,907 | - |
| Total | <u>\$ 1,865,653</u> | <u>\$ 701,043</u> | <u>\$ 619,500</u> | <u>\$ 126,231</u> | <u>\$ 159,956</u> | <u>\$ 57,935</u> |

\$310,915 for the PLD plans and \$289,922 for the SET plan were reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended June 30, 2018 or December 31, 2017 for the Lisbon Water Department. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

| | Town | | Lisbon Water Department |
|---------------------|-------------|-------------|----------------------------|
| | PLD Plan | SET Plan | PLD Plan |
| Year ended June 30: | | | |
| 2017 | \$ 172,312 | \$ 44,487 | \$ 19,265 |
| 2018 | 120,994 | 62,042 | 18,459 |
| 2019 | 394,212 | 62,443 | 34,744 |
| 2020 | 181,083 | 34,375 | 14,646 |
| 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, 2016, 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, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Amortization

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

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

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2016 are as follows:

Investment Rate of Return - For the PLD and State Employee and Teacher Plans, 6.875% per annum for the year ended June 30, 2016 and 7.125% per annum for the year ended June 30, 2015, compounded annually.

Salary Increases, Merit and Inflation - Members of the consolidated plan for PLDs, 2.75% to 9.00% per year; state employees, 2.75% to 8.75% per year; teachers, 2.75% to 14.50% per year.

Mortality Rates - For active members and non-disabled retirees of the PLD Consolidated and State Employee and Teacher Plans, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used. For all recipients of disability benefits, the RP2014 Total Dataset Disabled Annuitant Mortality Table, for males and females, is used.

Cost of Living Benefit Increases – for PLD Consolidated and State Employee and Teacher Plans, 2.20% and 2.55% per annum for the years ended June 30, 2016 and 2015, respectively.

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, 2016 are summarized in the following table. Assets for each of the defined benefit plans are commingled for investment purposes.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|-----------------|-------------------|--|
| US equities | 20% | 5.7% |
| Non-US equities | 20% | 5.5% |
| Private equity | 10% | 7.6% |
| Real assets: | | |
| Real estate | 10% | 5.2% |
| Infrastructure | 10% | 5.3% |
| Hard assets | 5% | 5.0% |
| Fixed income | 25% | 2.9% |

Discount Rate

The discount rate used to measure the collective total pension liability was 6.875% for 2016 for each of the Plans. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability as of June 30, 2016 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 6.875% for each of the Plans.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

| | 1% Decrease | Discount Rate | 1% Increase |
|--|----------------|------------------|----------------|
| <u>PLD Plan - Town:</u> | | | |
| Discount rate | 5.875% | 6.875% | 7.875% |
| Town's proportionate share of the net pension liability | \$ 5,215,009 | \$ 3,141,913 | \$ 1,190,166 |
| <u>SET Plan:</u> | | | |
| Discount rate | 5.875% | 6.875% | 7.875% |
| Town's proportionate share of the net pension liability | \$ 1,111,748 | \$ 694,298 | \$ 346,357 |
| | | | |
| | 1% Decrease | Discount Rate | 1% Increase |
| <u>PLD Plan - Lisbon Water Department:</u> | | | |
| Discount rate | 5.875% | 6.875% | 7.875% |
| Department's proportionate share of the net pension liability | \$ 421,784 | \$ 254,114 | \$ 96,529 |

Changes in Net Pension Liability

Each employer's share of the collective net pension liability is equal to the collective net pension liability multiplied by the employer's proportionate share as of June 30, 2016 as shown in the schedules of employer and non-employer contributing entity allocations. Changes in net pension liability are recognized in pension expense for the year ended June 30, 2016 with the following exceptions.

Differences between Expected and Actual Experience

The difference between expected and actual experience with regard to economic or demographic factors were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resource. For 2016, this was 4 years for the PLD Consolidated Plan and 3 years for the SET Plan.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Differences between Projected and Actual Investment Earnings

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

Changes in Assumptions

Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used for the year ended June 30, 2016 valuation were based on the results of an actuarial experience study for the period of June 30, 2012 through June 30, 2015. Please refer to the *Actuarial Methods and Assumptions* section for information relating to changes of assumptions. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

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

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

Pension Plan Fiduciary Net Position

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS' 2016 Comprehensive Annual Financial Report available online at www.mainebers.org or by contacting the System at (207) 512-3100.

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

NOTE 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 2017 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 2017 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 2017.

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

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 12 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

NOTE 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, 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, 2017, 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, 2017 the Town had overdrafts in the following line items:

| | |
|-----------------|--------------------------|
| Finance | \$ 9,357 |
| Tax collector | 17,441 |
| Town manager | 9,305 |
| Insurance | 3,557 |
| Human resources | 200 |
| Snow removal | 48,733 |
| Solid waste | 8,911 |
| Education | 97,331 |
| Debt service | 9,767 |
| | <u><u>\$ 204,602</u></u> |

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 16 - TAX INCREMENT FINANCING DISTRICT AND ABATEMENTS

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

Dingley Press Municipal Development and Tax Increment Financing District

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

Kelly Park Municipal Development and Tax Increment Financing District

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

TOWN OF LISBON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 16 - TAX INCREMENT FINANCING DISTRICT (CONTINUED)

Furniture Superstore Municipal Development and Tax Increment Financing District

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

Enterprise Electric Municipal Development and Tax Increment Financing District

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

Gendron Realty Municipal Development and Tax Increment Financing District

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

TOWN OF LISBON, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 16 - TAX INCREMENT FINANCING DISTRICT (CONTINUED)

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

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

Abatements

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

For the fiscal year ended June 30, 2017, the Town abated property taxes for the following programs: none.

NOTE 17 – SUBSEQUENT EVENT

On November 16, 2017 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.

NOTE 18 – COMPARATIVE DATA/RECLASSIFICATIONS

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

Required Supplementary Information

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

- Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual - General Fund
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions
- 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, 2017

| | <u>Budgeted Amounts</u> | | Actual Amounts | Variance Positive (Negative) |
|--|-------------------------|---------------------|---------------------|------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Resources (Inflows): | | | | |
| Property taxes | \$ 11,720,997 | \$ 11,720,997 | \$ 11,810,536 | \$ 89,539 |
| Excise taxes | 1,404,000 | 1,404,000 | 1,583,471 | 179,471 |
| Licences and permits | 55,900 | 55,900 | 75,355 | 19,455 |
| Intergovernmental | 1,315,266 | 10,008,194 | 9,921,395 | (86,799) |
| Charges for services | 486,410 | 486,410 | 581,231 | 94,821 |
| Interest income | 10,000 | 10,000 | 19,235 | 9,235 |
| Interest/costs on liens | 59,000 | 59,000 | 64,668 | 5,668 |
| Other income | 149,880 | 189,091 | 188,846 | (245) |
| Amounts Available for Appropriation | <u>15,201,453</u> | <u>23,933,592</u> | <u>24,244,737</u> | <u>311,145</u> |
| Charges to Appropriations (Outflows): | | | | |
| General government | 1,580,711 | 1,580,711 | 1,550,011 | 30,700 |
| Public safety | 2,157,654 | 2,157,654 | 2,089,404 | 68,250 |
| Public works | 2,825,152 | 2,825,152 | 2,590,374 | 234,778 |
| Public services | 846,012 | 846,012 | 800,173 | 45,839 |
| General assistance | 28,851 | 28,851 | 25,878 | 2,973 |
| County tax | 603,356 | 603,356 | 603,356 | - |
| Education | 5,994,083 | 15,325,540 | 15,422,871 | (97,331) |
| TIF | 429,929 | 429,929 | 241,548 | 188,381 |
| Overlay/abatements | 225,676 | 225,676 | 64,919 | 160,757 |
| Unclassified | - | - | - | - |
| Capital outlay | 377,375 | 1,877,375 | 447,389 | 1,429,986 |
| Debt service | 132,654 | 132,654 | 142,421 | (9,767) |
| Total Charges to Appropriations | <u>15,201,453</u> | <u>26,032,910</u> | <u>23,978,344</u> | <u>2,054,566</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>-</u> | <u>(2,099,318)</u> | <u>266,393</u> | <u>2,365,711</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from debt | - | 1,500,000 | 1,500,000 | - |
| Revenues in carryforward accounts | - | - | 104,533 | 104,533 |
| Expenditures in carryforward accounts | - | - | (468,927) | (468,927) |
| Transfers in | - | 405,048 | 320,197 | (84,851) |
| Transfers (out) | - | - | (7,783) | (7,783) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>1,905,048</u> | <u>1,448,020</u> | <u>(457,028)</u> |
| NET CHANGE IN FUND BALANCES | <u>\$ -</u> | <u>\$ (194,270)</u> | <u>1,714,413</u> | <u>\$ 1,908,683</u> |
| FUND BALANCES - JULY 1 | | | <u>4,060,950</u> | |
| FUND BALANCES - JUNE 30 | | | <u>\$ 5,775,363</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>2017</u> | <u>2016</u> | <u>2015</u> |
|---|----------------------|---------------------|---------------------|
| <u>PLD Plan - Town:</u> | | | |
| Proportion of the net pension liability | 0.59% | 0.58% | 0.59% |
| Proportionate share of the net pension liability | \$ 3,141,913 | \$ 1,280,674 | \$ 910,967 |
| Covered-employee payroll | \$ 3,034,713 | \$ 3,043,854 | \$ 2,228,868 |
| Proportionate share of the net pension liability as a percentage of its covered-employee payroll | 103.53% | 42.07% | 40.87% |
| Plan fiduciary net position as a percentage of the total pension liability | 81.61% | 88.30% | 94.10% |
| <u>SET Plan:</u> | | | |
| Town's proportion of the net pension liability | 0.04% | 0.03% | 0.03% |
| Town's proportionate share of the net pension liability | \$ 694,298 | \$ 392,331 | \$ 348,406 |
| State's proportionate share of the net pension liability associated with the Town | <u>9,967,895</u> | <u>7,870,813</u> | <u>6,252,863</u> |
| Total | <u>\$ 10,662,193</u> | <u>\$ 8,263,144</u> | <u>\$ 6,601,269</u> |
| Town's covered-employee payroll | \$ 7,150,470 | \$ 7,348,015 | \$ 7,222,074 |
| Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 9.71% | 5.34% | 4.82% |
| Plan fiduciary net position as a percentage of the total pension liability | 76.21% | 81.20% | 83.91% |
| <u>PLD Plan - Lisbon Water Department:</u> | | | |
| Proportion of the net pension liability | 0.05% | 0.04% | 0.04% |
| Proportionate share of the net pension liability | \$ 254,114 | \$ 139,892 | \$ 56,539 |
| Covered-employee payroll | \$ 255,428 | \$ 229,787 | \$ 195,950 |
| Proportionate share of the net pension liability as a percentage of its covered-employee payroll | 99.49% | 60.88% | 28.85% |
| Plan fiduciary net position as a percentage of the total pension liability | 81.61% | 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>2017</u> | <u>2016</u> | <u>2015</u> |
|--|------------------|------------------|------------------|
| <u>PLD Plan - Town:</u> | | | |
| Contractually required contribution | \$ 296,008 | \$ 270,090 | \$ 231,256 |
| Contributions in relation to the contractually required contribution | <u>(296,008)</u> | <u>(270,090)</u> | <u>(231,256)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered-employee payroll | \$ 3,149,472 | \$ 3,034,713 | \$ 3,043,854 |
| Contributions as a percentage of covered-employee payroll | 9.40% | 8.90% | 7.60% |
| <u>SET Plan:</u> | | | |
| Contractually required contribution | \$ 287,895 | \$ 285,213 | \$ 240,350 |
| Contributions in relation to the contractually required contribution | <u>(287,895)</u> | <u>(285,213)</u> | <u>(240,350)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Town's covered-employee payroll | \$ 7,470,720 | \$ 7,150,470 | \$ 7,348,015 |
| Contributions as a percentage of covered-employee payroll | 3.85% | 3.99% | 3.27% |
| <u>PLD Plan - Lisbon Water Department:</u> | | | |
| Contractually required contribution | \$ 26,541 | \$ 20,128 | \$ 14,941 |
| Contributions in relation to the contractually required contribution | <u>(26,541)</u> | <u>(20,128)</u> | <u>(14,941)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered-employee payroll | \$ 287,632 | \$ 240,468 | \$ 207,051 |
| Contributions as a percentage of covered-employee payroll | 9.23% | 8.37% | 7.22% |

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

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

TOWN OF LISBON, MAINE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

Changes of Assumptions

There was a change in the investment rate of return assumption this year from 7.125% to 6.875%. Annual salary increases, including inflation, changed from 3.50% - 9.50% to 2.75% - 9.00%, for the PLD Consolidated Plan and from 3.50% - 13.50% to 2.75% - 14.50%, for the SET Plan. There was also a change in the cost of living benefit increase from 2.55% to 2.20%. Finally, the mortality rates for active members, nondisabled retirees and recipients of disability benefits, were determined using the RP2014 Total Dataset Healthy Annuitant Mortality Table and the RP2014 Total Dataset Disabled Annuitant Mortality Table, for males and females, compared to the RP2000 Tables projected forward and the Revenue Ruling 96-7 Disabled Mortality Table used in the prior year.

Other Supplementary Information

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

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

SCHEDULE A

TOWN OF LISBON, MAINE

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - BUDGET AND
ACTUAL - GENERAL FUND REVENUES
FOR THE YEAR ENDED JUNE 30, 2017

| | Original Budget | Budget Adjustments | Final Budget | Actual Amounts | Variance Positive (Negative) |
|-------------------------------|----------------------|-----------------------|----------------------|----------------------|------------------------------------|
| REVENUES: | | | | | |
| Taxes: | | | | | |
| Property taxes | \$ 11,720,997 | \$ - | \$ 11,720,997 | \$ 11,810,536 | \$ 89,539 |
| Excise taxes | 1,404,000 | - | 1,404,000 | 1,583,471 | 179,471 |
| Registration fees | 27,000 | - | 27,000 | 29,673 | 2,673 |
| Interest and costs on taxes | 32,000 | - | 32,000 | 34,995 | 2,995 |
| | <u>13,183,997</u> | <u>-</u> | <u>13,183,997</u> | <u>13,458,675</u> | <u>274,678</u> |
| Licenses and permits: | | | | | |
| Business permits and fees | 26,900 | - | 26,900 | 31,522 | 4,622 |
| All other construction fees | 10,000 | - | 10,000 | 22,311 | 12,311 |
| Town clerk | 19,000 | - | 19,000 | 21,522 | 2,522 |
| | <u>55,900</u> | <u>-</u> | <u>55,900</u> | <u>75,355</u> | <u>19,455</u> |
| Intergovernmental: | | | | | |
| Education subsidies | - | 8,692,928 | 8,692,928 | 8,601,073 | (91,855) |
| State revenue sharing | 602,000 | - | 602,000 | 605,603 | 3,603 |
| General assistance | 12,750 | - | 12,750 | 9,979 | (2,771) |
| Tree growth reimbursement | 15,000 | - | 15,000 | 16,494 | 1,494 |
| BETE reimbursement | 178,053 | - | 178,053 | 178,119 | 66 |
| Homestead reimbursement | 385,376 | - | 385,376 | 385,208 | (168) |
| Miscellaneous state aid | 15,483 | - | 15,483 | 15,483 | - |
| Urban rural incentive program | 96,604 | - | 96,604 | 96,964 | 360 |
| Veteran reimbursement | 10,000 | - | 10,000 | 12,472 | 2,472 |
| | <u>1,315,266</u> | <u>8,692,928</u> | <u>10,008,194</u> | <u>9,921,395</u> | <u>(86,799)</u> |
| Charges for services: | | | | | |
| Public services | 279,446 | - | 279,446 | 258,738 | (20,708) |
| Public works | 96,500 | - | 96,500 | 101,422 | 4,922 |
| Public safety | 110,464 | - | 110,464 | 118,746 | 8,282 |
| School | - | - | - | 102,325 | 102,325 |
| | <u>486,410</u> | <u>-</u> | <u>486,410</u> | <u>581,231</u> | <u>94,821</u> |
| Investment income | 10,000 | - | 10,000 | 19,235 | 9,235 |
| Other revenues: | | | | | |
| TIF | 106,357 | - | 106,357 | - | (106,357) |
| Interest rebate | - | - | - | 34,215 | 34,215 |
| School | - | 39,211 | 39,211 | 71,602 | 32,391 |
| Reimbursements | 41,778 | - | 41,778 | 44,840 | 3,062 |
| Other revenues | 1,745 | - | 1,745 | 38,189 | 36,444 |
| | <u>149,880</u> | <u>39,211</u> | <u>189,091</u> | <u>188,846</u> | <u>(245)</u> |
| Total revenues | <u>\$ 15,201,453</u> | <u>\$ 8,732,139</u> | <u>\$ 23,933,592</u> | <u>\$ 24,244,737</u> | <u>\$ 311,145</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, 2017

| | Original Budget | Budget Adjustments | Final Budget | Actual Amounts | Variance Positive (Negative) |
|---------------------------|--------------------|-----------------------|------------------|-------------------|------------------------------------|
| General government: | | | | | |
| Elected officials | \$ 21,841 | \$ - | \$ 21,841 | \$ 20,354 | \$ 1,487 |
| Town manager | 220,199 | - | 220,199 | 229,504 | (9,305) |
| Contingency | 5,000 | - | 5,000 | - | 5,000 |
| Insurance | 113,892 | - | 113,892 | 117,449 | (3,557) |
| Legal | 70,000 | - | 70,000 | 54,905 | 15,095 |
| Finance | 126,281 | - | 126,281 | 135,638 | (9,357) |
| Tax collector | 151,268 | - | 151,268 | 168,709 | (17,441) |
| Code enforcement | 109,884 | - | 109,884 | 107,569 | 2,315 |
| Town clerk | 131,532 | - | 131,532 | 123,723 | 7,809 |
| Assessing | 74,086 | - | 74,086 | 73,753 | 333 |
| Town buildings | 208,944 | - | 208,944 | 201,545 | 7,399 |
| Technology | 212,016 | - | 212,016 | 199,405 | 12,611 |
| Planning Board | 27,690 | - | 27,690 | 25,652 | 2,038 |
| Board of Appeals | 1,721 | - | 1,721 | 878 | 843 |
| Human resources | - | - | - | 200 | (200) |
| Economic development | 106,357 | - | 106,357 | 90,727 | 15,630 |
| | <u>1,580,711</u> | <u>-</u> | <u>1,580,711</u> | <u>1,550,011</u> | <u>30,700</u> |
| Public safety: | | | | | |
| Police | 1,307,671 | - | 1,307,671 | 1,252,456 | 55,215 |
| Animal control officer | 86,881 | - | 86,881 | 85,236 | 1,645 |
| Fire | 443,841 | - | 443,841 | 433,388 | 10,453 |
| Emergency | 1,699 | - | 1,699 | 1,667 | 32 |
| Communication | 317,562 | - | 317,562 | 316,657 | 905 |
| | <u>2,157,654</u> | <u>-</u> | <u>2,157,654</u> | <u>2,089,404</u> | <u>68,250</u> |
| Public works: | | | | | |
| Public works | 1,685,662 | - | 1,685,662 | 1,408,325 | 277,337 |
| Snow removal | 227,213 | - | 227,213 | 275,946 | (48,733) |
| Hydrant rental | 325,733 | - | 325,733 | 325,733 | - |
| Street and traffic lights | 110,500 | - | 110,500 | 95,415 | 15,085 |
| Solid waste | 476,044 | - | 476,044 | 484,955 | (8,911) |
| | <u>2,825,152</u> | <u>-</u> | <u>2,825,152</u> | <u>2,590,374</u> | <u>234,778</u> |

SCHEDULE B (CONTINUED)

TOWN OF LISBON, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

| | Final Budget | Budget Adjustments | Final Budget | Actual Amounts | Variance Positive (Negative) |
|--------------------------------------|----------------------|-----------------------|----------------------|----------------------|------------------------------------|
| Public services: | | | | | |
| Health officer | 6,371 | - | 6,371 | 5,607 | 764 |
| Community services - senior citizens | 35,000 | - | 35,000 | 35,000 | - |
| Lisbon Falls Library | 257,468 | - | 257,468 | 250,138 | 7,330 |
| Miscellaneous public services | 13,000 | - | 13,000 | 11,503 | 1,497 |
| Recreation department | 433,375 | - | 433,375 | 414,469 | 18,906 |
| Parks department | 100,798 | - | 100,798 | 83,456 | 17,342 |
| | <u>846,012</u> | <u>-</u> | <u>846,012</u> | <u>800,173</u> | <u>45,839</u> |
| General assistance | 28,851 | - | 28,851 | 25,878 | 2,973 |
| Intergovernmental - county tax | 603,356 | - | 603,356 | 603,356 | - |
| Education | 5,994,083 | 9,331,457 | 15,325,540 | 15,422,871 | (97,331) |
| Unclassified: | | | | | |
| Tax increment financing payments | 429,929 | - | 429,929 | 241,548 | 188,381 |
| Overlay/tax abatements | 225,676 | - | 225,676 | 64,919 | 160,757 |
| | <u>655,605</u> | <u>-</u> | <u>655,605</u> | <u>306,467</u> | <u>349,138</u> |
| Capital outlay | 377,375 | 1,500,000 | 1,877,375 | 447,389 | 1,429,986 |
| Debt service - Town: | | | | | |
| Principal | 132,654 | - | 132,654 | 142,421 | (9,767) |
| Interest | - | - | - | - | - |
| | <u>132,654</u> | <u>-</u> | <u>132,654</u> | <u>142,421</u> | <u>(9,767)</u> |
| Total expenditures | <u>\$ 15,201,453</u> | <u>\$ 10,831,457</u> | <u>\$ 26,032,910</u> | <u>\$ 23,978,344</u> | <u>\$ 2,054,566</u> |

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

TOWN OF LISBON, MAINE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

| | Special Revenue Funds | Permanent Funds | Total Nonmajor Governmental Funds |
|---|-----------------------------|-------------------------|--|
| | <u> </u> | <u> </u> | <u> </u> |
| ASSETS | | | |
| Cash and cash equivalents | \$ 36,100 | \$ 27,543 | \$ 63,643 |
| Investments | - | - | - |
| Accounts receivable | 187,157 | - | 187,157 |
| Due from other governments | 198,217 | - | 198,217 |
| Inventory | 16,997 | - | 16,997 |
| Due from other funds | 842,010 | - | 842,010 |
| TOTAL ASSETS | <u><u>\$ 1,280,481</u></u> | <u><u>\$ 27,543</u></u> | <u><u>\$ 1,308,024</u></u> |
| LIABILITIES | | | |
| Accounts payable | \$ 9,849 | \$ - | \$ 9,849 |
| Due to other funds | 143,590 | - | 143,590 |
| TOTAL LIABILITIES | <u><u>153,439</u></u> | <u><u>-</u></u> | <u><u>153,439</u></u> |
| FUND BALANCES (DEFICITS) | | | |
| Nonspendable | 16,997 | 1,118 | 18,115 |
| Restricted | 148,881 | 26,425 | 175,306 |
| Committed | 916,047 | - | 916,047 |
| Assigned | 45,817 | - | 45,817 |
| Unassigned | (700) | - | (700) |
| TOTAL FUND BALANCES (DEFICITS) | <u><u>1,127,042</u></u> | <u><u>27,543</u></u> | <u><u>1,154,585</u></u> |
| TOTAL LIABILITIES AND FUND BALANCES (DEFICITS) | <u><u>\$ 1,280,481</u></u> | <u><u>\$ 27,543</u></u> | <u><u>\$ 1,308,024</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, 2017

| | Special Revenue Funds | Permanent Funds | Total Nonmajor Governmental Funds |
|---|-----------------------------|--------------------|--|
| REVENUES | | | |
| Intergovernmental | \$ 1,194,807 | \$ - | \$ 1,194,807 |
| Charges for services | 1,170,837 | - | 1,170,837 |
| Investment income | 8,551 | 97 | 8,648 |
| Other income | 78,556 | 1,288 | 79,844 |
| TOTAL REVENUES | <u>2,452,751</u> | <u>1,385</u> | <u>2,454,136</u> |
| EXPENDITURES | | | |
| General government | - | - | - |
| Public works | 953,030 | - | 953,030 |
| Public services and payments | 35,829 | - | 35,829 |
| Education | 937,759 | - | 937,759 |
| Food service | 352,014 | - | 352,014 |
| TOTAL EXPENDITURES | <u>2,278,632</u> | <u>-</u> | <u>2,278,632</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>174,119</u> | <u>1,385</u> | <u>175,504</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 7,783 | - | 7,783 |
| Transfers (out) | (165,000) | - | (165,000) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(157,217)</u> | <u>-</u> | <u>(157,217)</u> |
| NET CHANGE IN FUND BALANCES | 16,902 | 1,385 | 18,287 |
| FUND BALANCES - JULY 1 | <u>1,110,140</u> | <u>26,158</u> | <u>1,136,298</u> |
| FUND BALANCES - JUNE 30 | <u>\$ 1,127,042</u> | <u>\$ 27,543</u> | <u>\$ 1,154,585</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.

SCHEDULE E

TOWN OF LISBON, MAINE

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017

| | Treatment Plant | Recreation Land Use | DARE Program | Moxie Donations | Thanksgiving Donations | Sale of Surplus Prop | School Nutrition Program | School Federal and Other Programs | Total |
|---|--------------------|---------------------------|------------------|--------------------|---------------------------|-------------------------|--------------------------------|---|---------------------|
| ASSETS | | | | | | | | | |
| Cash and cash equivalents | \$ - | \$ 14,869 | \$ 1,898 | \$ 19,333 | \$ - | \$ - | \$ - | \$ - | \$ 36,100 |
| Accounts receivable, net of allowance | 187,157 | - | - | - | - | - | - | - | 187,157 |
| Due from other governments | - | - | - | - | - | - | 10,895 | 187,322 | 198,217 |
| Due from other funds | 715,434 | - | 31,003 | - | - | 95,573 | - | - | 842,010 |
| Inventory | - | - | - | - | - | - | 16,997 | - | 16,997 |
| TOTAL ASSETS | \$ 902,591 | \$ 14,869 | \$ 32,901 | \$ 19,333 | \$ - | \$ 95,573 | \$ 27,892 | \$ 187,322 | \$ 1,280,481 |
| LIABILITIES | | | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 9,849 | \$ - | \$ 9,849 |
| Due to other funds | - | 1,413 | - | 9,211 | 700 | - | 11,969 | 120,297 | 143,590 |
| TOTAL LIABILITIES | - | 1,413 | - | 9,211 | 700 | - | 21,818 | 120,297 | 153,439 |
| FUND BALANCES (DEFICITS) | | | | | | | | | |
| Nonspendable | - | - | - | - | - | - | 16,997 | - | 16,997 |
| Restricted | - | - | 32,901 | 10,122 | - | 95,573 | (10,923) | 21,208 | 148,881 |
| Committed | 902,591 | 13,456 | - | - | - | - | - | - | 916,047 |
| Assigned | - | - | - | - | - | - | - | 45,817 | 45,817 |
| Unassigned | - | - | - | - | (700) | - | - | - | (700) |
| TOTAL FUND BALANCES (DEFICITS) | 902,591 | 13,456 | 32,901 | 10,122 | (700) | 95,573 | 6,074 | 67,025 | 1,127,042 |
| TOTAL LIABILITIES AND FUND BALANCES (DEFICITS) | \$ 902,591 | \$ 14,869 | \$ 32,901 | \$ 19,333 | \$ - | \$ 95,573 | \$ 27,892 | \$ 187,322 | \$ 1,280,481 |

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, 2017

| | Treatment Plant | Recreation Land Use | DARE Program | Moxie Donations | Thanksgiving Donations | Sale of Surplus Prop | School Nutrition Program | School Federal and Other Programs | Total |
|---|--------------------|---------------------------|-----------------|--------------------|---------------------------|-------------------------|--------------------------------|---|--------------|
| REVENUES | | | | | | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 239,024 | \$ 955,783 | \$ 1,194,807 |
| Charges for services | 975,133 | - | - | - | - | - | 195,704 | - | 1,170,837 |
| Investment income | - | - | 8 | 39 | - | 8,504 | - | - | 8,551 |
| Other income | 15,680 | - | - | 34,428 | 655 | - | - | 27,793 | 78,556 |
| TOTAL REVENUES | 990,813 | - | 8 | 34,467 | 655 | 8,504 | 434,728 | 983,576 | 2,452,751 |
| EXPENDITURES | | | | | | | | | |
| General government | - | - | - | - | - | - | - | - | - |
| Public works | 953,030 | - | - | - | - | - | - | - | 953,030 |
| Public services and payments | - | - | 25 | 34,449 | 1,355 | - | - | - | 35,829 |
| Education | - | - | - | - | - | - | - | 937,759 | 937,759 |
| Food service | - | - | - | - | - | - | 352,014 | - | 352,014 |
| TOTAL EXPENDITURES | 953,030 | - | 25 | 34,449 | 1,355 | - | 352,014 | 937,759 | 2,278,632 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 37,783 | - | (17) | 18 | (700) | 8,504 | 82,714 | 45,817 | 174,119 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | |
| Transfers in | - | - | 7,783 | - | - | - | - | - | 7,783 |
| Transfers (out) | - | - | - | - | - | - | (165,000) | - | (165,000) |
| TOTAL OTHER SOURCES (USES) | - | - | 7,783 | - | - | - | (165,000) | - | (157,217) |
| NET CHANGE IN FUND BALANCES | 37,783 | - | 7,766 | 18 | (700) | 8,504 | (82,286) | 45,817 | 16,902 |
| FUND BALANCES (DEFICITS) - JULY 1 | 864,808 | 13,456 | 25,135 | 10,104 | - | 87,069 | 88,360 | 21,208 | 1,110,140 |
| FUND BALANCES (DEFICITS) - JUNE 30 | \$ 902,591 | \$ 13,456 | \$ 32,901 | \$ 10,122 | \$ (700) | \$ 95,573 | \$ 6,074 | \$ 67,025 | \$ 1,127,042 |

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, 2017

| | 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 | \$ (3) | \$ - | \$ - | \$ 75 | \$ 302 |
| Davis Cemetery Perpetual Care | - | 23,093 | 83 | 875 | - | - | 24,051 |
| Curtis Scholarship | - | - | 6 | 413 | - | 413 | 6 |
| Maine Research Company Charity Fund | 630 | 2,055 | 11 | - | - | 630 | 2,066 |
| Totals | \$ 705 | \$ 25,453 | \$ 97 | \$ 1,288 | \$ - | \$ 1,118 | \$ 26,425 |

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, 2017

| 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: | | | - | 325,456 |
| Total U.S. Department of Agriculture | | | - | 325,456 |
| U.S. Department of Housing and Urban Development | | | | |
| Passed through State of Maine - Department of Economic and Community Development: | | | | |
| Micro-Enterprise Assistance | 14.228 | N/A | \$ - | \$ 38,378 |
| Downtown Revitalization Grant | 14.228 | N/A | - | 8,661 |
| Total U.S. Department of Housing and Urban Development | | | - | 47,039 |
| U.S. Department of Education | | | | |
| Passed through State of Maine - Department of Education and Cultural Services: | | | | |
| Title IA | 84.010 | 6334 | - | 377,804 |
| Special Education Cluster (IDEA): | | | | |
| Special Education Grants to States | 84.027 | 6317 | - | 415,685 |
| Preschool Grant | 84.173 | 6241 | - | 4,600 |
| Subtotal Special Education Cluster (IDEA) | | | - | 420,285 |
| Title IIA | 84.367 | 1138 | - | 83,967 |
| Total U.S. Department of Education | | | - | 882,056 |
| U.S. Department of Environmental Protection Agency | | | | |
| Direct Award | | | | |
| Brownfield Assessment Grant | 66.818 | N/A | - | 9,062 |
| Total U.S. Department of Environmental Protection Agency | | | - | 9,062 |
| U.S. Department of Justice | | | | |
| Direct Award | | | | |
| Bullet Proof Vest Partnership | 16.607 | N/A | - | 2,472 |
| Total U.S. Department of Justice | | | - | 2,472 |
| 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 | - | 21,193 |
| Sub-total Highway Planning and Construction Cluster | | | - | 21,193 |
| Highway Safety Cluster: | | | | |
| 2016 Evidence Based Impaired Driving | 20.600 | N/A | - | 2,922 |
| 2017 Evidence Based Impaired Driving | 20.600 | N/A | - | 5,087 |
| 2017 Click it or Ticket | 20.600 | N/A | - | 1,855 |
| 2017 Data Driven Speed Enforcement/Equip | 20.600 | N/A | - | 2,239 |
| Sub-total Highway Safety Cluster | | | - | 12,103 |
| Total U.S. Department of Transportation | | | - | 33,296 |
| TOTAL FEDERAL ASSISTANCE | | | \$ - | \$ 1,299,381 |

TOWN OF LISBON, MAINE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

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, 2017. 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
Town of Lisbon, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Lisbon, Maine, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Lisbon, Maine's basic financial statements and have issued our report thereon dated November 20, 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. However, material weaknesses may exist that have not been identified.

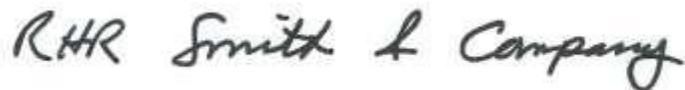
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Lisbon, Maine's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the Town of Lisbon, Maine in a separate letter dated November 20, 2017.

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.

A handwritten signature in cursive script that reads "RHR Smith & Company".

Buxton, Maine
November 20, 2017

TOWN OF LISBON, MAINE

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017

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 PRIOR YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017

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 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 PRIOR YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017

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
Town of Lisbon, Maine

Report on Compliance for Each Major Federal Program

We have audited Town of Lisbon, Maine's compliance with the types of compliance requirements described in the *OMB Circular Compliance Supplement* that could have a direct and material effect on each of Town of Lisbon, Maine's major federal programs for the year ended June 30, 2017. 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, 2017.

Report on Internal Control Over Compliance

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

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

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

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

RHR Smith & Company

Buxton, Maine
November 20, 2017

TOWN OF LISBON, MAINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued : Unmodified

Internal control over financial reporting:

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

- *Federal Awards*

Internal control over major programs:

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

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

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

Identification of major programs:

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

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

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

None

Section III – Federal Awards Findings and Questioned Costs

None



Proven Expertise and Integrity

INDEPENDENT AUDITORS' REPORT ON STATE REQUIREMENTS

Town Council
Town of Lisbon, Maine

We have audited the financial statements of the Town of Lisbon for the year ended June 30, 2017 and have issued our report thereon dated November 20, 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
November 20, 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, 2017

| | General Fund (1000) | Special Revenue Funds (2000) | Capital Projects Fund (4000) | Totals |
|--|------------------------|------------------------------------|------------------------------------|---------------------|
| June 30 balance per MEDMS financial System | \$ 5,775,363 | \$ 2,111,345 | \$ 62,380 | \$ 7,949,088 |
| Revenue Adjustments: | | | | |
| Transfer - School Nutrition Program | - | - | - | - |
| Expenditure Adjustments: | | | | |
| Reallocation of expenditures from Local Entitlement (IDEA) to General Fund Special Education | - | - | - | - |
| Other Adjustments: | | | | |
| Fund Balances Not Reported on 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>\$ 5,775,363</u> | <u>\$ 2,111,345</u> | <u>\$ 62,380</u> | <u>\$ 7,949,088</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

TABLE 1

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 |
|----------------|-----------------|---------------|--------------|
| 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 |
| 2017 | 11,810,536 | 1,583,471 | 13,394,007 |

-

TABLE 2

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 |
|----------------|--------------|-------------------|---|----------------------|
| 2008 | 38.26% | 55.51% | 6.23% | 100% |
| 2009 | 40.35% | 53.70% | 5.95% | 100% |
| 2010 | 41.29% | 52.69% | 6.02% | 100% |
| 2011 | 38.68% | 55.25% | 6.07% | 100% |
| 2012 | 38.22% | 55.72% | 6.06% | 100% |
| 2013 | 40.14% | 54.23% | 5.63% | 100% |
| 2014 | 39.98% | 54.81% | 5.21% | 100% |
| 2015 | 43.92% | 51.06% | 5.02% | 100% |
| 2016 | 42.82% | 51.71% | 5.47% | 100% |
| 2017 | 42.87% | 52.05% | 5.08% | 100% |

TABLE 3

TOWN OF LISBON, MAINE
PRINCIPAL PROPERTY TAXPAYERS
FISCAL YEARS 2017 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 |
| Miller Hydro | \$ 24,694,950 | 1 | 4.72% | Miller Hydro | \$ 18,000,000 | 1 | 5.44% |
| Dingley Press | 7,161,600 | 2 | 1.37% | Lisbon Acquisition Corp. | 6,486,550 | 2 | 1.96% |
| Central Maine Power | 7,214,140 | 3 | 1.38% | Lisbon Falls Property LLC | 3,205,120 | 3 | 0.97% |
| Terra Firma Realty Trust | 2,853,710 | 4 | 0.55% | Terra Firma Realty Trust | 2,437,660 | 4 | 0.74% |
| Maritimes & Northeast | 3,762,800 | 5 | 0.72% | JMC Farwell Limited | 2,189,890 | 5 | 0.66% |
| JMC Farwell Limited | 2,890,700 | 6 | 0.55% | Central Maine Power Co. | 2,076,160 | 6 | 0.63% |
| Heritage Knolls | 2,647,900 | 7 | 0.51% | Heritage Knolls | 2,005,950 | 7 | 0.61% |
| Woodgate | 2,345,100 | 8 | 0.45% | Woodgate | 1,776,570 | 8 | 0.54% |
| Gendron Realty, Inc. | 2,148,300 | 9 | 0.41% | Gendron Realty, Inc. | 1,627,480 | 9 | 0.49% |
| Town & Country Village | 1,812,800 | 10 | 0.35% | Lisbra, LLC | 1,364,580 | 10 | 0.41% |
| Totals | \$ 57,532,000 | | 11.01% | Totals | \$ 41,169,960 | | 12.44% |

TABLE 4

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

| Fiscal Year Ended June 30 | Total Tax Levy for Fiscal Year | Collected within the Fiscal year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|---------------------------------|--------------------------------------|---|-----------------------|---------------------------------------|---------------------------|-----------------------|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 2013 | \$ 10,069,383 | \$ 9,805,335 | 98% | \$237,373 | \$10,042,708 | 99.70% |
| 2014 | 10,424,195 | 10,123,116 | 97% | 258,515 | 10,381,631 | 99.50% |
| 2015 | 11,318,242 | 11,075,822 | 98% | 88,125 | 11,163,946 | 99% |
| 2016 | 10,804,471 | 10,624,948 | 98.50% | 74,368 | 10,699,316 | 99% |
| 2017 | 11,720,997 | 11,530,149 | 98.50% | 77,372 | 11,607,521 | 99% |

Source: Tax Collection System

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

TABLE 5

TOWN OF LISBON, MAINE

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

| Fiscal Year | Governmental Activities | | | Business-type Activities | | Total Primary Government | Percentage of Personal Income | Per Capita |
|----------------|--------------------------------|------------------|----------------------------------|--------------------------------|-------------------------|--------------------------------|-------------------------------------|---------------|
| | General Obligation Bonds | Notes Payable | Capital Leases ⁽¹⁾ | General Obligation Bonds | LWD Revenue Bonds | | | |
| 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 | 14,305,766 | - | 2,982,968 | 385,000 | | 17,673,734 | 5.44% | 1,987 |
| 2017 | 14,454,266 | - | 3,012,126 | 337,500 | | 17,803,892 | 8.35% | 2,011 |

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

TABLE 6

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 |
|----------------|--------------------------------|---|---------------|
| 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 | 14,690,766 | 2.751% | 1,652 |
| 2017 | 14,791,766 | 2.770% | 1,671 |

TABLE 7

TOWN OF LISBON, MAINE
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2017

| Governmental Unit | Debt Outstanding | Estimated Percentage Applicable | Estimated Share of Overlapping Debt |
|-----------------------------------|----------------------|---------------------------------------|--|
| Overlapping Debt: | | | |
| Androscoggin County | \$ 184,077 | 7.00% | \$ 12,885 |
| Lisbon Water Department | 2,808,537 | 100% | 2,808,537 |
| Subtotal | <u>\$ 2,992,614</u> | | <u>\$ 2,821,422</u> |
| Town of Lisbon Direct Debt | <u>\$ 17,803,892</u> | 100% | <u>\$ 17,803,892</u> |
| Total Direct and Overlapping Debt | <u>\$ 20,796,506</u> | | <u>\$ 20,625,314</u> |

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

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

TABLE 8

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

| | Fiscal Year | | | | | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Assessed value per State | \$ 599,000,000 | \$ 626,700,000 | \$ 629,550,000 | \$ 593,950,000 | \$ 559,100,000 | \$ 522,650,000 | \$ 526,600,000 | \$ 534,000,000 | \$ 536,150,000 | \$ 548,411,900 |
| Total debt limit - all purposes-15% of assessed value | \$ 89,850,000 | \$ 94,005,000 | \$ 94,432,500 | \$ 89,092,500 | \$ 83,865,000 | \$ 78,397,500 | \$ 78,990,000 | \$ 80,100,000 | \$ 80,422,500 | \$ 82,261,785 |
| Less outstanding debt applicable to debt limit | 14,280,925 | 14,087,881 | 13,983,478 | 13,511,555 | 12,651,032 | 11,487,368 | 10,474,399 | 15,655,962 | 14,374,334 | 14,504,492 |
| Legal Debt Margin | \$ 75,569,075 | \$ 79,917,119 | \$ 80,449,022 | \$ 75,580,945 | \$ 71,213,968 | \$ 66,910,132 | \$ 68,515,601 | \$ 64,444,038 | \$ 66,048,166 | \$ 67,757,293 |
| Total outstanding debt applicable to the limit as a percentage of debt limit | 15.89% | 14.99% | 14.81% | 15.17% | 15.08% | 14.65% | 13.26% | 19.55% | 17.87% | 17.63% |
| 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 | \$ 44,925,000 | \$ 47,002,500 | \$ 47,216,250 | \$ 44,546,250 | \$ 41,932,500 | \$ 39,198,750 | \$ 39,495,000 | \$ 40,050,000 | \$ 40,211,250 | \$ 41,130,893 |
| Less outstanding debt applicable to debt limit | 2,190,505 | 3,049,050 | 3,647,913 | 3,529,233 | 3,391,217 | 2,950,038 | 2,659,554 | 2,388,888 | 2,148,532 | 1,840,961 |
| Debt margin for municipal purposes | \$ 42,734,495.00 | \$ 43,953,450.00 | \$ 43,568,337.00 | \$ 41,017,017.00 | \$ 38,541,283.00 | \$ 36,248,712.00 | \$ 36,835,446.00 | \$ 37,661,112.00 | \$ 38,062,718.00 | \$ 39,289,931.50 |
| Outstanding debt applicable to the limit as a percentage of debt limit for municipal purposes | 4.88% | 6.49% | 7.73% | 7.92% | 8.09% | 7.53% | 6.73% | 5.96% | 5.34% | 4.48% |
| School purposes - 10% | | | | | | | | | | |
| Debt Limit | \$ 59,900,000 | \$ 62,670,000 | \$ 62,955,000 | \$ 59,395,000 | \$ 55,910,000 | \$ 52,265,000 | \$ 52,660,000 | \$ 53,400,000 | \$ 53,615,000 | \$ 54,841,190 |
| Less outstanding debt applicable to debt limit | 10,964,755 | 10,319,770 | 9,674,785 | 9,379,822 | 8,699,815 | 8,019,830 | 7,339,845 | 12,834,574 | 11,840,802 | 12,326,031 |
| Debt margin for school purposes | \$ 48,935,245 | \$ 52,350,230 | \$ 53,280,215 | \$ 50,015,178 | \$ 47,210,185 | \$ 44,245,170 | \$ 45,320,155 | \$ 40,565,426 | \$ 41,774,198 | \$ 42,515,159 |
| Outstanding debt applicable to the limit as a percentage of the debt limit for schools | 18.31% | 16.47% | 15.37% | 15.79% | 15.56% | 15.34% | 13.94% | 24.03% | 22.08% | 22.48% |
| Storm and sanitary sewer purposes - 7.5% | | | | | | | | | | |
| Debt Limit | \$ 44,925,000 | \$ 47,002,500 | \$ 47,216,250 | \$ 44,546,250 | \$ 41,932,500 | \$ 39,198,750 | \$ 39,495,000 | \$ 40,050,000 | \$ 40,211,250 | \$ 41,130,893 |
| Less outstanding debt applicable to debt limit | 1,125,665 | 719,061 | 660,780 | 602,500 | 560,000 | 517,500 | 475,000 | 432,500 | 385,000 | 337,500 |
| Debt margin for sewer purposes | \$ 43,799,335 | \$ 46,283,439 | \$ 46,555,470 | \$ 43,943,750 | \$ 41,372,500 | \$ 38,681,250 | \$ 39,020,000 | \$ 39,617,500 | \$ 39,826,250 | \$ 40,793,393 |
| Outstanding debt applicable to the limit as a percentage of debt limit for sewer purposes | 2.51% | 1.53% | 1.40% | 1.35% | 1.34% | 1.32% | 1.20% | 1.08% | 0.96% | 0.82% |
| Maximum total debt limit - 15% | \$ 89,850,000 | \$ 94,005,000 | \$ 94,432,500 | \$ 89,092,500 | \$ 83,865,000 | \$ 78,397,500 | \$ 78,990,000 | \$ 80,100,000 | \$ 80,422,500 | \$ 82,261,785 |

TABLE 9

TOWN OF LISBON, MAINE
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

| Fiscal Year | Population | Personal Income (000's) | Per Capita Income ⁽¹⁾ | Median Age ⁽¹⁾ | Years of Formal Schooling ⁽¹⁾ | School Enrollment ⁽²⁾ | Unemployment Rate ⁽³⁾ |
|-------------|------------|-------------------------|----------------------------------|---------------------------|--|----------------------------------|----------------------------------|
| 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 |
| 2017 | 8853 | 2,132,776 | 24,091 | 40 | 12.2 | 1298 | 3.1 |

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