



**Johnson & Block**  
AND COMPANY, INC.

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Certified Public Accountants

**TOWN OF LISBON**  
**Waukesha County, Wisconsin**

**FINANCIAL STATEMENTS WITH**  
**INDEPENDENT AUDITOR'S REPORT**

**December 31, 2012**

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**TOWN OF LISBON**  
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**December 31, 2012**

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Certified Public Accountants

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## INDEPENDENT AUDITOR'S REPORT

April 1, 2013

Honorable Chairman and Town Board  
Town of Lisbon  
Waukesha County, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lisbon, Wisconsin, as of and for the year ended December 31, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

### *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.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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, each major fund, and the aggregate remaining fund information of the Town of Lisbon, as of December 31, 2012, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***New Accounting Policies***

As discussed in Note 1 to the financial statements, in 2012 the Town of Lisbon adopted new accounting guidance. Our opinion is not modified with respect to this matter.

### ***Report on Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents 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.

### ***Report on Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Lisbon, Wisconsin's financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Johnson Block & Company, Inc.*

Johnson Block & Company, Inc.  
Certified Public Accountants  
Madison, Wisconsin

Town of Lisbon  
Management's Discussion and Analysis  
December 31, 2012

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As management of the Town of Lisbon, we offer readers of the Town's basic financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended December 31, 2012.

**Financial Highlights**

- The assets of the Town exceeded its liabilities as of December 31, 2012 by \$12,587,269. Of this amount, \$2,676,043 may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net assets increased by \$428,826.
- The property tax rate increased three cents per \$1,000 of property value for the year ended December 31, 2012.
- As of December 31, 2012, unassigned fund balance for the general fund was \$1,747,105.
- The Town's total outstanding debt and contracts decreased by \$333,176.

**Overview of the Basic Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Town of Lisbon's basic financial statements. The Town's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Lisbon's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Town of Lisbon is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net position changed during the most recent 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 related 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., uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the Town of Lisbon 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 government; public safety; public works; health and social services; parks and recreation; and conservation and development. The business-type activities of the Town include the water and sewer utilities.

The government-wide financial statements can be found on page 1 and 2 of this report.

Town of Lisbon  
Management's Discussion and Analysis  
December 31, 2012

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**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 state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds 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 Town's near-term financing requirements.

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 Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund 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 maintains 8 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, capital projects fund and debt service fund, the major funds, and the park fund, library fund, building fund, fire operations fund and sewer study fund, the non major funds.

The Town adopts an annual budget for the general fund, capital projects fund and debt service fund. Supplementary budgetary comparison statements have been provided for these funds to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 3 to 6 of this report.

**Proprietary funds.** There are two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its stormwater utility. Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. The Town of Lisbon does not have any internal service funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the stormwater utilities, both of which are considered to be major funds of the Town. The basic proprietary fund financial statements can be found on pages 7 to 9 of this report.

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 11 to 34 of this report.

Town of Lisbon  
Management's Discussion and Analysis  
December 31, 2012

**Government-wide Financial Analysis**

**Net assets.** As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$12,587,269 at the close of 2012.

**Town of Lisbon Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 9,250,039	\$ 9,244,074	\$ 401,448	\$ 460,846	\$ 9,651,487	\$ 9,704,920
Capital assets	15,749,568	15,946,295	494,815	-	16,244,383	15,946,295
Total Assets	<u>24,999,607</u>	<u>25,190,369</u>	<u>896,263</u>	<u>460,846</u>	<u>25,895,870</u>	<u>25,651,215</u>
Long-term liabilities outstanding	7,399,270	7,784,759	-	-	7,399,270	7,784,759
Other liabilities	1,476,912	1,368,787	15,031	214,254	1,491,943	1,583,041
Total Liabilities	<u>8,876,182</u>	<u>9,153,546</u>	<u>15,031</u>	<u>214,254</u>	<u>8,891,213</u>	<u>9,367,800</u>
Deferred Inflows	4,215,783	4,124,969	201,605	-	4,417,388	4,124,969
Net Position:						
Net investment in capital assets	9,416,411	9,530,295	494,815	-	9,911,226	9,530,295
Unrestricted	2,491,231	2,381,556	184,812	246,592	2,676,043	2,628,148
Total Net Position	<u>\$ 11,907,642</u>	<u>\$ 11,911,851</u>	<u>\$ 679,627</u>	<u>\$ 246,592</u>	<u>\$ 12,587,269</u>	<u>\$ 12,158,443</u>

At the end of the current fiscal year, the Town of Lisbon is able to report positive balances in all three categories of net assets for the government as a whole. Capital assets increased primarily from the Town's business type activities with the acquisition by the stormwater utility of two properties located in a floodplain as part of a Hazard Mitigation Grant. Change in total assets from Governmental activities decreased \$4,209, due in large part from additional depreciation. In total, the Town's net assets increased \$428,826 during 2012 from all activities of the Town.

Town of Lisbon  
Management's Discussion and Analysis  
December 31, 2012

**Town of Lisbon Change in Net Position  
2012 and 2011**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charges for services and fees, fines and costs	\$ 1,622,718	\$ 1,477,111	\$ 201,356	\$ 211,077	\$ 1,824,074	\$ 1,688,188
Operating grants and contributions	503,941	530,486	-	-	503,941	530,486
Capital grants and contributions	137,942	56,872	295,082	-	433,024	56,872
General Revenues:						
Property taxes	3,364,931	3,322,030	-	-	3,364,931	3,322,030
Other taxes and special assessments	112,024	111,712	-	-	112,024	111,712
Unrestricted Interest and investment earnings	12,277	20,012	-	-	12,277	20,012
Miscellaneous income	32,239	21,267	-	-	32,239	21,267
<b>Total Revenues</b>	<b>5,786,072</b>	<b>5,539,490</b>	<b>496,438</b>	<b>211,077</b>	<b>6,282,510</b>	<b>5,750,567</b>
Expenses:						
General Government	754,778	788,560	-	-	754,778	788,560
Public Safety	1,259,845	1,211,316	-	-	1,259,845	1,211,316
Public Works	1,936,719	1,848,229	63,403	148,198	2,000,122	1,996,427
Sanitation	706,857	686,785	-	-	706,857	686,785
Recreation and Education	690,591	642,742	-	-	690,591	642,742
Interest on Long-Term Debt	294,094	298,397	-	-	294,094	298,397
Capital Outlay	-	8,253	-	-	-	8,253
Special Item-Loss on disposal of asset	147,397	422,669	-	-	147,397	422,669
<b>Total Expenses</b>	<b>5,790,281</b>	<b>5,906,951</b>	<b>63,403</b>	<b>148,198</b>	<b>5,853,684</b>	<b>6,055,149</b>
Increase (Decrease) in Net Position	(4,209)	(367,461)	433,035	62,879	428,826	(304,582)
Net Position - January 1	11,911,851	12,279,312	246,592	183,713	12,158,443	12,463,025
Net Position- December 31	\$ 11,907,642	\$ 11,911,851	\$ 679,627	\$ 246,592	\$ 12,587,269	\$ 12,158,443

**Governmental Activities:** Governmental activities decreased the Town's net position by \$4,209.

The primary reason for this decrease was a net loss on the disposal of capital assets of \$147,397, which is recognized as a change in the fund balance by the net book value of the disposed assets. Secondly, depreciation, net of capital outlay decreased the town's net position by \$35,080. These reductions were offset by a net reduction in long-term debt of \$82,843.

**Business Type Activities:** Business Type activities increased the Town's net position by \$433,035.

During 2012, the stormwater utility undertook two capital projects, which added to its capital assets. The first was acquisition of two properties in a floodplain as part of a Hazard Mitigation Grant. The second was the improvement of the stormwater system in the Good Hope Road / Hillside Road area, which included the installation of storm sewers to reduce the incidence in basement flooding in the area.

Town of Lisbon  
Management's Discussion and Analysis  
December 31, 2012

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**Financial Analysis of the Town of Lisbon's Funds**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of Town of Lisbon's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year.

As of December 31, 2012, the Town's governmental funds reported combined ending fund balances of \$2,865,480, a decrease of \$17,923 from the prior year. Much of this decrease resulted from a planned draw down of carried-over funds to pay for capital equipment acquired during 2012. Of the combined ending fund balance, \$1,894,692 constitutes *unassigned fund balance* that is available for spending at the Town's discretion.

The General Fund is the primary operating fund of the Town. At the end of 2012, the unassigned fund balance of the General Fund was \$1,747,105.

During 2012, the Town's General Fund balance increased by \$167,874. This was the fourth year in a row that the Town has been able to add significantly to its General Fund balance. The Town met budgetary goals with revenues greater than anticipated and expenditures lower than budgeted. One key factor contributing to this increase was the mild weather in 2012 winter months resulting in significantly lower than budgeted costs for road salt and overtime. The Town continues to enjoy a healthy General Fund balance compared to total budgeted expenditures.

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

The Stormwater Utility's 2012 operating revenues were down about 4.6% from 2011. This is due to a one-time project to install cross-culverts under Good Hope Road for the Lisbon Sanitary District to reduce flooding in and around a sanitary lift station.

**Capital Asset and Debt Administration**

Additional information on Town of Lisbon's capital assets can be found in Note 4 on page 24 of this report.

**Long-term debt.** At the end of 2012, the Town of Lisbon had total debt outstanding of \$6,333,157 and total contracts payable of \$1,821,346, all of which was backed by the full faith of the Town. Lisbon's long-term outstanding debt decreased \$82,843 and contracts payable outstanding decreased \$250,333 from year 2011. This continues a five-year trend of reducing the Town's long-term outstanding debt.

The Town is not rated by Moody's Investors Service or any other rating agency for its general obligation debt.

Additional information on Town of Lisbon's long-term debt can be found in Note 7 on pages 28 through 31 of this report.

Town of Lisbon  
Management's Discussion and Analysis  
December 31, 2012

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**Economic Factors and Next Year's Budgets and Rates**

The 2012 tax levy (2012 revenue) was \$3,364,931. It is likely the Town will again be facing levy limits in 2013. While the State of Wisconsin financial situation has improved, state shared revenue aids and transportation aids to local governments remain relatively flat. Historically low interest rates means interest income remains a fraction of what they were five or six years ago. Housing starts in Lisbon totaled 18 new homes in 2012, continuing a five year trend of weak growth in the property tax base.

All of these factors were considered in preparing the Town's budget for the 2013 fiscal year.

**Contacting the Town's Financial Management**

This financial report is designed to provide a general overview of the Town of Lisbon's finances. Questions, concerning any of the information provided in this report or requests for additional information should be addressed to the Town of Lisbon Administrator, W234N8676 Woodside Road, Sussex, WI 53089.

**Town of Lisbon**  
**Statement of Net Position**  
**December 31, 2012**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash and Equivalents	\$ 2,792,816	\$ 199,843	\$ 2,992,659
Taxes Receivable	4,217,355	201,605	4,418,960
Accounts Receivable	452,787	-	452,787
Prepaid Expenses	23,380	-	23,380
Total Current Assets	7,486,338	401,448	7,887,786
Capital Assets:			
Capital Assets	32,527,086	494,815	33,021,901
Less: Accumulated Depreciation	(16,777,518)	-	(16,777,518)
Net Capital Assets	15,749,568	494,815	16,244,383
Other Assets:			
Capacity Entitlements - net of amortization	1,763,701	-	1,763,701
Total Assets	\$ 24,999,607	\$ 896,263	\$ 25,895,870
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 330,800	\$ 15,031	\$ 345,831
Deposits Payable	74,272	-	74,272
Accrued Interest	97,866	-	97,866
Current Portion of Long-term Obligations	973,974	-	973,974
Total Current Liabilities	1,476,912	15,031	1,491,943
Noncurrent Liabilities:			
Noncurrent Portion of Long-term Obligations	7,399,270	-	7,399,270
Total Noncurrent Liabilities	7,399,270	-	7,399,270
Total Liabilities	8,876,182	15,031	8,891,213
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Tax Levy	4,215,783	201,605	4,417,388
Total Deferred Inflows of Resources	4,215,783	201,605	4,417,388
<b>NET POSITION</b>			
Net Investement in Capital Assets	9,416,411	494,815	9,911,226
Unrestricted	2,491,231	184,812	2,676,043
Total Net Position	11,907,642	679,627	12,587,269
Total Liabilities, Deferred Outflows of Resources and Net Position	\$ 24,999,607	\$ 896,263	\$ 25,895,870

See accompanying notes to the basic financial statements.

**Town of Lisbon  
Statement of Activities  
For the Year Ended December 31, 2012**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business Activities</u>	<u>Total</u>
Governmental Activities							
General Government	\$ 754,778	\$ 96,387	\$ 148,629	\$ -	\$ (509,762)		\$ (509,762)
Public Safety	1,259,845	695,615	48,023	-	(516,207)		(516,207)
Public Works	1,936,719	54,258	281,844	137,942	(1,462,675)		(1,462,675)
Sanitation	706,857	725,852	-	-	18,995		18,995
Recreation and Education	690,591	17,406	25,445	-	(647,740)		(647,740)
Interest and Fiscal Charges	294,094	33,200	-	-	(260,894)		(260,894)
Total Governmental Activities	<u>5,642,884</u>	<u>1,622,718</u>	<u>503,941</u>	<u>137,942</u>	<u>(3,378,283)</u>		<u>(3,378,283)</u>
Business-type Activities							
Storm Water	63,403	201,356	-	295,082		433,035	433,035
Total Business-type Activities	<u>63,403</u>	<u>201,356</u>	<u>-</u>	<u>295,082</u>		<u>433,035</u>	<u>433,035</u>
 Total Government	 <u>\$ 5,706,287</u>	 <u>\$ 1,824,074</u>	 <u>\$ 503,941</u>	 <u>\$ 433,024</u>	 (3,378,283)	 433,035	 (2,945,248)
General Revenues:							
Taxes:							
Property Taxes, levied for general purposes					2,169,210	-	2,169,210
Property Taxes, levied for debt service					1,195,721	-	1,195,721
Other Taxes					112,024	-	112,024
Interest and Investment Earnings					12,277	-	12,277
Miscellaneous					32,239	-	32,239
Total General Revenues					<u>3,521,471</u>	<u>-</u>	<u>3,521,471</u>
Special item - loss on disposal of asset					<u>(147,397)</u>	<u>-</u>	<u>(147,397)</u>
Change in Net Position					(4,209)	433,035	428,826
Net Position, beginning of year					<u>11,911,851</u>	<u>246,592</u>	<u>12,158,443</u>
Net Position, end of year					<u>\$ 11,907,642</u>	<u>\$ 679,627</u>	<u>\$ 12,587,269</u>

See accompanying notes to the basic financial statements.

**Town of Lisbon  
Balance Sheet  
Governmental Funds  
December 31, 2012**

	General Fund	Capital Projects - Equipment Acquisition	Debt Service Fund	Total Non- Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 1,822,823	\$ 233,640	\$ 315,971	\$ 420,376	\$ 2,792,810
Receivables:					
Taxes	2,978,690	-	1,233,106	-	4,211,796
Accounts	320,403	137,942	-	-	458,345
Prepaid Expenses	23,380	-	-	-	23,380
Total Assets	<u>\$ 5,145,296</u>	<u>\$ 371,582</u>	<u>\$ 1,549,077</u>	<u>\$ 420,376</u>	<u>\$ 7,486,331</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 204,757	\$ 125,940	\$ -	\$ 99	\$ 330,796
Deposits Payable	74,272	-	-	-	74,272
Total Liabilities	<u>279,029</u>	<u>125,940</u>	<u>-</u>	<u>99</u>	<u>405,068</u>
<b>Deferred Inflows of Resources:</b>					
Deferred Tax Levy	2,982,677	-	1,233,106	-	4,215,783
Total Deferred Inflows of Resources	<u>2,982,677</u>	<u>-</u>	<u>1,233,106</u>	<u>-</u>	<u>4,215,783</u>
<b>Fund Balances:</b>					
Nonspendable	28,939	-	-	-	28,939
Restricted	13,500	36,500	315,971	420,277	786,248
Assigned	94,046	61,555	-	-	155,601
Unassigned	1,747,105	147,587	-	-	1,894,692
Total Fund Balances	<u>1,883,590</u>	<u>245,642</u>	<u>315,971</u>	<u>420,277</u>	<u>2,865,480</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,145,296</u>	<u>\$ 371,582</u>	<u>\$ 1,549,077</u>	<u>\$ 420,376</u>	<u>\$ 7,486,331</u>

**Town of Lisbon**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2012**

	General Fund	Capital Projects - Equipment Acquisition	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property Taxes	\$ 2,169,210	\$ -	\$ 1,195,721	\$ -	\$ 3,364,931
Other Taxes	112,024	-	-	-	112,024
Intergovernmental	459,505	18,642	46,332	-	524,479
License and Permits	314,389	-	-	-	314,389
Fines, Forfeits and Penalties	78,402	-	-	-	78,402
Charges for Services	1,043,989	-	33,200	21,396	1,098,585
Interest Income	11,765	-	213	298	12,276
Donations	-	-	-	6,774	6,774
Miscellaneous Income	85,103	177,730	-	20,231	283,064
<b>Total Revenues</b>	<u>4,274,387</u>	<u>196,372</u>	<u>1,275,466</u>	<u>48,699</u>	<u>5,794,924</u>
<b>EXPENDITURES</b>					
<b>Current:</b>					
General Government	566,683	-	-	-	566,683
Public Safety	1,179,376	-	-	-	1,179,376
Public Works	1,034,095	-	-	-	1,034,095
Sanitation	706,857	-	-	-	706,857
Recreation and Education	619,502	-	-	8,692	628,194
Capital Outlay	-	1,082,456	-	-	1,082,456
Debt Service	-	3,750	1,205,686	-	1,209,436
<b>Total Expenditures</b>	<u>4,106,513</u>	<u>1,086,206</u>	<u>1,205,686</u>	<u>8,692</u>	<u>6,407,097</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>167,874</u>	<u>(889,834)</u>	<u>69,780</u>	<u>40,007</u>	<u>(612,173)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from Long-Term Debt	-	594,250	-	-	594,250
<b>Total Other Financing Sources and Uses</b>	<u>-</u>	<u>594,250</u>	<u>-</u>	<u>-</u>	<u>594,250</u>
Net Change in Fund Balances	167,874	(295,584)	69,780	40,007	(17,923)
Fund Balances - Beginning	1,715,716	541,226	246,191	380,270	2,883,403
Fund Balances - Ending	<u>\$ 1,883,590</u>	<u>\$ 245,642</u>	<u>\$ 315,971</u>	<u>\$ 420,277</u>	<u>\$ 2,865,480</u>

See accompanying notes to the basic financial statements.

**Town of Lisbon**  
**Reconciliation of the Governmental Funds Balance Sheet with the Statement of Net Position**  
**December 31, 2012**

Total fund balances, governmental funds \$ 2,865,480

Amounts reported for governmental activities in the Statement of Net Position  
are different because:

Capital assets used in governmental activities are not current financial resources and therefore  
are not reported as assets in governmental funds:

Governmental capital assets	32,527,086	
Governmental accumulated depreciation	<u>(16,777,518)</u>	
		15,749,568

Other assets used in governmental activities are not current financial resources and therefore  
are not reported as assets in governmental funds:

Governmental other assets	2,677,311	
Governmental accumulated amortization	<u>(913,610)</u>	
		1,763,701

Long-term liabilities, including bonds and notes payable, are not due in the current  
period and therefore are not reported in the fund statements. Long-term liabilities  
reported in the Statement of Net Position that are not reported in the funds balance  
sheet are:

General obligation debt	(6,333,157)	
Contracts payable	(1,821,346)	
Accrued vacation and sick	(169,040)	
OPEB liability	(49,698)	
Accrued interest	<u>(97,866)</u>	
		(8,471,107)

Net Position of Governmental Activities in the Statement of Net Position		<u><u>\$11,907,642</u></u>
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See accompanying notes to the basic financial statements.

**Town of Lisbon**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to  
the Statement of Activities  
For the Year Ended December 31, 2012**

Net change in fund balances - total governmental funds:		\$ (17,923)
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:		
Compensated absences recorded when paid in governmental funds		7,287
Other post employment benefits recorded when paid in governmental funds		(12,884)
In the statement of activities, only the gain/loss on the disposal of capital assets is reported, whereas in the governmental funds there is no use of financial resources. As a result, the change in net position differs from the change in fund balance by the net book value of the disposed capital assets.		
		(161,647)
The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
Capital outlay reported in governmental fund statements	1,108,292	
Depreciation/Amortization expenses reported in the Statement of Activities	<u>(1,253,840)</u>	
Amount by which capital outlays are greater (less) than depreciation in the current period		(145,548)
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the Statement of Net Position and does not affect the Statement of Activities.		
The amount of long-term debt principal payments in the current year	927,426	
Acquisition of long-term debt is reported in the governmental funds as an other financing source, but is reported as an increase in long-term debt in the Statement of Net Position and does not affect the Statement of Activities.		
The amount of long-term debt acquired in the current year	<u>(594,250)</u>	
The decrease (increase) in long-term debt		333,176
In governmental funds, interest payments on outstanding debt are reported as an expenditure when paid. In the Statement of Activities, interest is reported as incurred.		
Interest paid is greater (less) than interest accrued by		(6,670)
Change in net position of governmental activities		<u>\$ (4,209)</u>

See accompanying notes to the basic financial statements.

**Town of Lisbon  
Statement of Net Position  
Proprietary Fund  
December 31, 2012**

	<u><b>Storm Water</b></u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 199,843
Receivables	
Taxes	201,605
Total Current Assets	<u>401,448</u>
Capital Assets:	
Land and Improvements	334,838
Construction Work in Progress	159,977
Net Capital Assets	<u>494,815</u>
 Total Assets	 <u>\$ 896,263</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	\$ 15,032
Total Current Liabilities	<u>15,032</u>
 Total Liabilities	 <u>15,032</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Tax Levy	201,605
Total Deferred Inflows of Resources	<u>201,605</u>
<b>NET POSITION</b>	
Unrestricted	679,626
Total Net Position	<u>679,626</u>
 Total Liabilities, Deferred Inflows of Resources and Net Assets	 <u>\$ 896,263</u>

See accompanying notes to the basic financial statements.

**Town of Lisbon**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Fund**  
**For the Year Ended December 31, 2012**

	<u><b>Storm Water</b></u>
<b>OPERATING REVENUES</b>	
Charges for Services	\$ 201,355
Total Operating Revenues	<u>201,355</u>
<b>OPERATING EXPENSES</b>	
Operation and Maintenance	<u>63,403</u>
Total Operating Expenses	<u>63,403</u>
Operating Income (Loss)	137,952
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Capital Grants and Contributions	<u>295,082</u>
Total Non-Operating Revenue (Expenses)	<u>295,082</u>
Income (Loss) Before Contributions and Transfers	<u>433,034</u>
Change in Net Position	433,034
Total Net Position - Beginning	<u>246,592</u>
Total Net Position - Ending	<u><u>\$ 679,626</u></u>

See accompanying notes to the basic financial statements.

**Town of Lisbon  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended December 31, 2012**

	<b>Storm Water Utility</b>
Cash Flows From:	
Operating Activities:	
Receipts from customers and users	\$ 201,355
Payments to suppliers	(61,263)
Net cash - operating activities	140,092
Capital and Related Financing Activities	
Capital grants and contributions	295,082
Acquisition and construction of plant assets	(494,815)
Net cash - capital and related financing activities	(199,733)
Net change in cash and cash equivalents	(59,641)
Cash and cash equivalents-Beginning of year	259,484
Cash and cash equivalents-End of year	\$ 199,843
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating Income (Loss)	\$ 137,952
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Taxes receivable	(243)
Accounts payable	2,140
Deferred tax levy	243
Net cash provided (used) by operating activities	\$ 140,092

See accompanying notes to the basic financial statements.

**Town of Lisbon**  
**Statement of Net Position**  
**Fiduciary Fund**  
**December 31, 2012**

	<u>Tax Agency</u>
<b>ASSETS</b>	
Cash and Investments	\$ 10,603,947
Property Taxes Receivable	<u>4,230,521</u>
Total Assets	<u><u>\$ 14,834,468</u></u>
<b>LIABILITIES</b>	
Due to Other Governments	<u>\$ 14,834,468</u>
Total Liabilities	<u><u>\$ 14,834,468</u></u>

See accompanying notes to the basic financial statements.

**TOWN OF LISBON**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying summary of the Town of Lisbon's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be reviewed as an integral part of the accompanying financial statements. The accounting policies of the Town conform to accounting principles generally accepted in the United States of America as applicable to municipalities. A summary of the significant accounting policies follows:

**REPORTING ENTITY**

This report includes all of the funds of the Town of Lisbon. The reporting entity for the Town consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

The Town of Lisbon is a municipal corporation governed by an elected five-member board. The Town has no component units which must be included in the reporting entity because of the significance of their operational or financial relationships with the Town.

Certain other significant governmental entities providing services within the Town are administered by separate boards or commissions and are not accountable to the Town. Consequently, financial information for the following entities is not included within the scope of the Town's reporting entity and are not included in the Town's financial statements:

- Town of Lisbon Sanitary District No. 1
- Pauline Haass Public Library
- Lannon Interceptor
- Hamilton School District
- Arrowhead Union High School
- Richmond School District
- Merton Joint School District No. 9
- Lake County Municipal Court

**TOWN OF LISBON**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)  
A. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

“Government-wide” financial statements are basic financial statements required for all governmental units. The statement of net position and the statement of activities are the two required statements. Both statements are prepared on the full accrual basis. Previously, in accordance with accounting standards for governmental units, the Town used the modified accrual basis of accounting for certain funds. The modified accrual basis of accounting continues to be the appropriate basis of accounting for governmental activity fund financial statements.

In addition, all funds in the fund financial statements are reported as business-type activities, governmental activities or fiduciary funds. The definitions for these types of activities are discussed in other portions of Note 1.

Finally, all non-fiduciary funds are further classified as major or non-major funds. In reporting financial condition and results of operations for governmental units, the standard concentrates on major funds versus non-major funds.

**Government-Wide Financial Statements**

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Town does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

**Fund Financial Statements**

Fund financial statements of the reporting entity are organized into individual funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, net position/fund equity, revenues, and expenditures/expenses.

**TOWN OF LISBON**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)  
A. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

**Fund Financial Statements, continued**

Funds are reported as major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or proprietary fund that the Town believes is particularly important to financial statement users may be reported as a major fund.

The Town reports the following major governmental funds:

General Fund – accounts for the Town’s primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – accounts for resources accumulated and payments made for principal and interest on long-term debt.

Capital Projects – Equipment Acquisition Fund – accounts for proceeds from long-term borrowings and other resources to be used for capital improvement projects.

The Town reports the following non-major governmental funds:

Non-Major Governmental Funds

Special Revenue Funds – used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

- Building Fund
- Park Fund
- Library Fund
- Fire Operations Fund

Capital Projects Funds – used to account for financial resources to be used for the acquisition or construction of equipment and/or major capital facilities.

- Sewer Study Fund

**TOWN OF LISBON**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)  
A. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

**Fund Financial Statements, continued**

The Town reports the following major proprietary fund:

*Enterprise Funds* - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The following is the enterprise fund used by the Town:

Storm Water Utility District

In addition, the Town reports the following fund type:

*Fiduciary Funds* - Agency funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units. The Tax Collection Agency Fund is accounted for in the Agency Fund.

**B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

Measurement focus refers to what is being measured, basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

**Government-Wide Financial Statements**

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred inflows of resources. Grants and similar items are recognized as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**TOWN OF LISBON**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

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**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**  
**B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)**

**Fund Financial Statements**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. “Measurable” means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and deferred inflows of resources. They are recognized as revenues in the succeeding year when services financed by the levy are being provided. Property taxes are levied in November on the assessed value as of the prior January 1. In addition to property taxes for the Town, taxes are collected for and remitted to the state and county governments as well as the local school districts and technical college district. Taxes for all state and other local governmental units billed in the current year for the succeeding year are reflected as due to other taxing units on the accompanying agency fund statement of net position.

Property tax calendar – 2012 tax roll:

Lien date and levy date	December 2012
Tax bills mailed	December 2012
Payment in full, or	January 31, 2013
First installment due	January 31, 2013
Second installment due to County	July 31, 2013
Tax settlement with County:	
Initial settlement	January 15, 2013
Second settlement	February 20, 2013
Final settlement	August 15, 2013
Personal property taxes in full	January 31, 2013
Tax deed by County - 2012	
delinquent real estate taxes	October 2015

Intergovernmental aids and grants are recognized as revenues in the period the Town is entitled to the resources and the amounts are available. Amounts owed to the Town, which are not available, are recorded as receivables and deferred inflows of resources. Amounts received prior to the entitlement period are also recorded as deferred inflows of resources.

Special assessments are recognized as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and deferred inflows of resources. Delinquent special assessments being held for collection by the county are reported as receivables and nonspendable fund balance in the general fund.

**TOWN OF LISBON**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

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- 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**  
**B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)**

**Fund Financial Statements (Continued)**

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, special assessments, and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

The Town reports deferred inflows of resources on its governmental funds balance sheet. Deferred inflows arise from taxes levied in the current year, which are for subsequent year's operations. For governmental fund financial statements, deferred inflows arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred inflows also arise when resources are received before the Town has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the balance for deferred inflow is removed from the balance sheet and revenue is recognized.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Town's enterprise fund is user charges for storm water runoff. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Unbilled receivables are not recorded, as the amount is not material.

Fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting, as described previously in this note.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**New Accounting Pronouncements**

Effective January 1, 2012, the Town adopted *GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* ("GASB 63"). GASB 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The Town also adopted *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities* ("GASB 65") as of January 1, 2012. GASB 65 provides further clarification of GASB 63. The new GASB statements changed classifications used on the Town's financial statements, but had no effect on the Town's reported net financial position.

**TOWN OF LISBON**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. BUDGETARY INFORMATION**

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1. B.

The Town adopted annual Governmental Fund budgets for the General Fund, Debt Service Fund and certain Capital Projects Funds. These budgets are adopted in accordance with State Statutes and are presented in accordance with accounting principles generally accepted in the United States of America. The budgetary data presented in the Budgetary Comparison Schedules reflects the original approved budgets of the above funds and subsequent revisions authorized by the Town's Board. Changes to the overall budget must be approved by a two-thirds town board action. All annual appropriations lapse at year end. Budget control is exercised at the total fund level for all funds. The Town does not adopt a budget for the Special Revenue Funds.

**D. CASH AND CASH EQUIVALENTS**

For purposes of the statement of cash flows, the Town considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. At December 31, 2012 all investments held by the enterprise fund were cash equivalents.

**E. RECEIVABLES**

Accounts receivable have been shown net of an allowance for uncollectible accounts. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof.

A provision for uncollectible ambulance accounts receivable of \$17,010 has been made.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds". Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds". Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

**F. INVENTORIES AND PREPAID ITEMS**

Inventories of materials and supplies are not recognized when amount is not considered material.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**TOWN OF LISBON**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. CAPITAL ASSETS**

**Government-Wide Statements**

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and \$5,000 for infrastructure assets, and an estimated useful life in excess of 5 years for general capital assets and 5 years for infrastructure assets. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated fixed assets are recorded at their estimated fair value at the date of donation.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. No interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charge to accumulated depreciation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	20-40 Years
Improvements	10-20 Years
Machinery and Equipment	5-20 Years
Infrastructure	20 Years

**Fund Financial Statements**

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

**H. COMPENSATED ABSENCES**

A liability for vacation or sick leave is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements, or are payable with expendable available resources. Benefits are subject to negotiation between the Town and the association representing the Highway Department employees and Town Hall employees. All vested vacation and sick leave pay is accrued when incurred in the government-wide financial statements.

The following is the Town's policy for vacation and sick pay:

Vacation pay - The Town's policy allows full-time and represented part-time employees at the Town Hall to earn varying amounts of vacation pay each year depending on the total number of years employed. Employees are allowed to carry over up to 2 weeks of unused vacation from year to year.

**TOWN OF LISBON**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**  
**H. COMPENSATED ABSENCES (Continued)**

Sick pay - Through 2011, the Town's policy allowed full-time employees to earn sick leave at the rate of one day per month. Employees retiring or terminating employment before fifteen years of full-time service to the Town are paid a varying percent (between 50% and 100% depending on years of service) of accumulated sick leave at current pay rates. Employees retiring or terminating after 15 years or more are paid out at 100%. Starting in 2012, employees will earn sick leave at the rate of 1 day per two months. Twenty-five percent of the sick time earned in 2012 and going forward will be paid out upon resignation/retirement according to the schedule above.

**I. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

Deferred outflow of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

**J. LONG-TERM OBLIGATIONS**

All long-term obligations to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and contracts payable and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) is reported as other financing sources and payments of principal and interest are reported as expenditures.

**Post-Employment Benefits**

The Town provides certain health care benefits upon retirement for Public Works and Town Hall employees hired prior to 2000. If an employee has completed 25 years of full-time service and is at least 62 years of age, they are entitled to 3 years of health insurance. If an employee has completed 30 years of full-time service and is at least 60 years of age, they are entitled to 5 years of health insurance.

Net other post-employment benefit obligations – In 2009, the Town implemented GASB Statement No. 45 “*Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions*” This pronouncement requires the Town to calculate and recognize a net other post-employment benefit obligation (NOPEBO) at year-end. The NOPEBO is, in general, the cumulative difference between the actuarial required contribution and the actual contributions since January 1, 2009. The Town has not retroactively reported the liability.

**TOWN OF LISBON**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. CLAIMS AND JUDGMENTS**

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year-end.

**L. EQUITY CLASSIFICATIONS**

**Government-Wide Statements**

Equity is classified as net position and displayed in three components:

- a) Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted net position – Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c) Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

When both restricted and unrestricted resources are available for use, it is the Town’s policy to use restricted resources first, then unrestricted resources as they are needed.

**Fund Statements**

The Town follows GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*.” The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The categories of fund balance presented in the Town’s financial statements have changed as a result of implementing this Statement.

In the fund financial statements, governmental fund balance is presented in five possible categories:

- Nonspendable** – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.

**TOWN OF LISBON**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. EQUITY CLASSIFICATIONS (Continued)**

**Restricted** – resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

**Committed** – resources which are subject to limitations the government imposes upon itself through formal action of the Town Board, and that remain binding unless removed in the same manner.

**Assigned** – resources neither restricted nor committed for which a government has stated intended use for a specific purpose. This intent can be expressed through the Town Board or through the Town Board delegating this responsibility to the Town Treasurer through the budgetary process.

**Unassigned** – resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

The Town would typically use Restricted fund balances first, followed by Committed resources and then Assigned resources, but reserves the right to selectively spend Unassigned resources first and to defer the use of these other classified funds.

See Note 8 for additional information.

**TOWN OF LISBON**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. DEPOSITS AND INVESTMENTS**

Investment of Town funds is restricted by State statutes. Available investments are limited to:

- (1) Deposits in any credit union, bank, savings bank, trust company or savings and loan association which is authorized to transact business in this State if the time deposits mature in not more than three years;
- (2) Bonds or securities issued or guaranteed as to principal and interest by the federal government, or by a commission, board or other instrumentality of the federal government;
- (3) Bonds or securities of any county, drainage district, VTAE district, village, city, town, district or school district of this State;
- (4) Any security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating which is the highest or second highest rating category assigned by Standard & Poor's Corporation, Moody's investor service or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating;
- (5) Bonds or securities issued under the authority of the municipality;
- (6) The local government pooled-investment fund as established under Section 25.50 of the Wisconsin Statutes;
- (7) Agreements in which a public depository agrees to repay funds advanced to it by the Board, plus interest, if the agreement is secured by bonds or securities issued or guaranteed as to principal and interest by the federal government.
- (8) Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- (9) Repurchase agreements with public depositories, with certain conditions.
- (10) Bonds issued by the University of Wisconsin Hospital and Clinics Authority.

Foreign Currency Risk

The Town did not invest in any foreign currency during the year.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure of fair value losses arising from increasing interest rates.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits investments in commercial paper, corporate bonds and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Town has no investment policy that would further limit its investments choices.

**TOWN OF LISBON**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

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**2. DEPOSITS AND INVESTMENTS (Continued)**

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Board would not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial risk for investments is the risk that, in the event of failure of the counterparty (e.g. broker-dealer) to a transaction, the Town would not be able to recover the value of its investment of collateral securities that are in the possession of another party. The Board does not have an investment policy for custodial credit risk.

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts and \$250,000 for demand deposits. The banks used by the Town participate in the Dodd-Frank Act. Under this program, the FDIC provides unlimited protection to all noninterest-bearing accounts through December 31, 2012. Bank accounts and the local government investment pool are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may be significant to individual organizations.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2012, the fair value of the Town's share of the LGIP's assets was substantially equal to the amount reported in these statements.

Fluctuating cash flows during the year due to tax collections, receipt of state aids and/or proceeds from borrowing may have resulted in temporary balances exceeding insured amounts by substantially higher amounts.

As of December 31, 2012, the Town's deposits with financial institutions in excess of federal depository insurance limits and state deposit guarantees were exposed to custodial credit risk as follows:

Collateralized by bonds/securities held by the pledging financial institution	\$ 11,574,566
Total	<u>\$ 11,574,566</u>

Concentration of Credit Risk

The Town does not have a policy for concentration of credit risk. No Town investment represents 5% or more of the total investments.

**TOWN OF LISBON**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

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**3. CAPITAL ASSETS**

Capital assets transactions for the governmental activities year ended December 31, 2012 are summarized below:

<u>Governmental Activities</u>	Balance 1/1/2012	Additions	Deletions	Balance 12/31/2012
Land – non-depreciable	\$ 558,240	\$ -	\$ -	\$ 558,240
Buildings and improvements	2,740,912	-	-	2,740,912
Equipment and furnishings	3,608,404	531,868	98,657	4,041,615
Infrastructure	<u>25,288,375</u>	<u>576,424</u>	<u>678,480</u>	<u>25,186,319</u>
 Total Capital Assets	 <u>\$ 32,195,931</u>	 <u>\$ 1,108,292</u>	 <u>\$ 777,137</u>	 <u>\$ 32,527,086</u>
 Accumulated Depreciation				
Buildings and improvements	\$ 702,374	\$ 41,409	\$ -	\$ 743,783
Equipment and furnishings	1,401,499	196,082	65,103	1,532,478
Infrastructure	<u>14,145,763</u>	<u>905,881</u>	<u>550,387</u>	<u>14,501,257</u>
 Total Accumulated Depreciation	 <u>16,249,636</u>	 <u>1,143,372</u>	 <u>615,490</u>	 <u>16,777,518</u>
 Capital Assets Net of Depreciation	 <u>\$ 15,946,295</u>	 <u>\$ (35,080)</u>	 <u>\$ 161,647</u>	 <u>\$ 15,749,568</u>

Depreciation expense was charged to functions as follows:

<b>Governmental Activities</b>	
General government	\$ 181,287
Public safety	83,709
Public works	<u>878,376</u>
 Total governmental activities depreciation expense	 <u>\$ 1,143,372</u>

**TOWN OF LISBON**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

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**3. CAPITAL ASSETS (Continued)**

Capital asset transactions in the business type activities for the year ended December 31, 2012 are summarized below:

	<u>Balance</u> <u>1/1/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2012</u>
<u>Storm Water</u>				
Capital assets not being depreciated				
Construction in progress	\$ -	\$ 159,977	\$ -	\$ 159,977
Land and land rights	-	334,838	-	334,838
Total Capital Assets Not Being Depreciated	-	494,815	-	494,815
Net Storm Water Plant	\$ -	\$ 494,815	\$ -	\$ 494,815

**4. CAPACITY ENTITLEMENTS**

In 1994, the Town entered into an intermunicipal agreement with the Village of Sussex to provide sewage treatment services to property owners and citizens of the Town. The Town is sharing in the capital costs based on a cost allocation summary. In 1994, the costs allocated to the Town were \$764,716. In 2009, upgrades and expansion to the wastewater treatment facility were completed. The costs allocated to the Town for this project were \$1,912,595. The Capacity Entitlements asset represents the capacity rights the Town has purchased in the wastewater treatment plant. The asset will be amortized over the term of the contracts of 28 and 23 years, respectively. At December 31, 2012, accumulated amortization was \$913,610.

**5. DEFINED BENEFIT PENSION PLAN**

All eligible Town employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work over 600 hours a year are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011 expected to work at least 1,200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

Covered employees are required by statute to contribute one-half of the actuarially determined contribution rate for General category employees. Required contributions for protective contributions are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for 2012 are:

	<u>Employee</u>	<u>Employer</u>
General	5.9%	5.9%
Protective with Social Security	5.9%	9.0%

**TOWN OF LISBON**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

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**5. DEFINED BENEFIT PENSION PLAN (Continued)**

The payroll for the Town's employees covered by the WRS for the year ended December 31, 2012 was \$837,053 the employer's total payroll was \$1,089,271. The total required contribution for the year ended December 31, 2012 was \$110,345, which consisted of \$66,261 or 7.9% of payroll from the employer and \$44,085, or 5.3% of payroll from employees. Total contributions for the years ending December 31, 2011 and 2010 were \$106,451 and \$106,428 respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings is the average of the employee's three highest years earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. Participants employed prior to July 1, 2011 are immediately vested. Participants hired after June 30, 2011 are fully vested after five years.

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of the Wisconsin Statutes. The WRS issues an annual financial report that may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

**6. POSTRETIREMENT HEALTH CARE BENEFITS**

Post retirement benefits

From an accrual accounting perspective, the cost of other postemployment benefits ("OPEB"), like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future years when it is paid. In adopting the requirements of GASB Statement No. 45 during the year ended December 31, 2009, the Town recognizes the cost of postemployment healthcare benefits in the year when the employee services are received, report the accumulated liability from prior years, and provides information useful in assessing potential demands on the Town's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

Plan description

The Town provides post-retirement benefits for certain employees for current and future health and life insurance benefit expenses through a single-employer defined benefit plan to all full-time contracted employees who retire after attaining a certain number of years of service based upon position.

Expenditures for postretirement health care benefits are recognized when paid. The calculation of the Actuarial Accrued Liability (AAL) has been done in accordance with the Alternative Measurement Method, as outlined in GASB Statement No. 45. The post-retirement plan does not issue stand-alone financial reports.

**TOWN OF LISBON**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

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**6. POSTRETIREMENT HEALTH CARE BENEFITS (Continued)**

Employees participating in the OPEB benefit consisted of the following at January 1, 2012, the date of the latest actuarial valuation.

Retirees	2
Active	<u>4</u>
Number of participating employees	<u>6</u>

The funded status of the OPEB benefit as of the most recent actuarial valuation date (January 1, 2012) is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/12	<u>\$0</u>	<u>\$138,242</u>	<u>\$138,242</u>	<u>0%</u>	N/A	N/A

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The accompanying schedule of employer contributions present trend information about the amounts contributed to the plan by employers in comparison to the Annual Required Contribution (ARC), an amount that is actuarially determined in accordance with the parameters of GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortized any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used to include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial values of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation follows:

**TOWN OF LISBON**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**6. POSTRETIREMENT HEALTH CARE BENEFITS (Continued)**

Measurement date	1/1/2012
Actuarial cost method	Entry Age Cost
Valuation Method	Alternative Measurement Method
Amortization method	30 year level dollar
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions*	
Investment rate of return	5.50%
Projected payroll increases	3.3%
Medical care trend	9.5% decreasing by 1.00% each year down to 5.50% then decreasing by 0.50% down to 5.00%

\*implicit in these rates is an assumed rate of inflation of 4.00%

The current year employer contribution was as follows:

Year Ended December 31, 2012	Annual Required Contribution <u>\$12,884</u>	Actual Contribution <u>\$0</u>	Percent Contributed <u>0%</u>	Net OPEB Obligation (Asset) <u>\$49,698</u>
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**7. LONG-TERM OBLIGATIONS**

The long-term obligations activity for the year ended December 31, 2012 is summarized below:

	<u>Balance</u> Jan. 1, 2012	<u>Additions</u>	<u>Payments/ Adjustments</u>	<u>Balance</u> Dec. 31, 2012	<u>Amounts due</u> within 1 year
General obligation promissory notes	\$ 6,416,000	\$ 594,250	\$ 677,093	\$ 6,333,157	\$ 707,439
Village of Sussex contracts payable	2,025,315	-	234,688	1,790,627	234,141
Village of Lannon contracts payable	46,364	-	15,645	30,719	11,554
Accumulated sick pay and vacation pay	176,330	20,840	28,127	169,043	20,840
OPEB Liability	36,814	12,884	-	49,698	-
	<u>\$ 8,700,823</u>	<u>\$ 627,974</u>	<u>\$ 955,553</u>	<u>\$ 8,373,244</u>	<u>\$ 973,974</u>

**TOWN OF LISBON**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**7. LONG-TERM OBLIGATIONS (Continued)**

**A. General Long-Term Debt**

The full faith, credit and resources of the Town have been irrevocably pledged to collateralize all general obligation debt. Details of the general obligation debt payable at December 31, 2012 are as follows:

Date of Issue	Interest Rate	Principal Payable	Interest Payable	Original Amount	Balance 12/31/12	Amount due within 1 year
7/1/2004	3.80%	7/1/05-14	1/1 & 7/1	\$ 300,000	\$ 60,000	\$ 30,000
7/5/2006	4.0-4.5%	3/1/08-21	3/1 & 9/1	2,940,000	2,110,000	195,000
3/1/2007	4%	3/1/07-17	3/1 & 9/1	2,120,000	1,425,000	150,000
4/15/2008	3.95%	4/15/09-18	4/15 &	790,000	474,000	79,000
5/15/2009	3.38%	5/15/10-19	5/15 &	470,000	329,000	47,000
7/1/2010	3.05%	7/1/11-20	7/1 & 1/1	550,000	440,000	55,000
8/1/2011	3.15%	8/1/12-21	2/1 & 8/1	650,000	585,000	65,000
9/26/2011	3.75%	3/15	3/15	337,000	315,907	27,014
8/15/2012	2.00%	8/15/13-22	2/15 & 8/15	594,250	594,250	59,425
					<u>\$ 6,333,157</u>	<u>\$ 707,439</u>

**B. Contracts Payable - Unsecured**

**Village of Sussex - Contracts Payable**

In December 1992, the Town entered into an intermunicipal agreement with the Village of Sussex whereby the Town has committed to share in the capital costs of the expansion and upgrade of the Sussex Wastewater Treatment Facility. The Town received rights to wastewater treatment capacity. At December 31, 2012, the amount of this commitment, which is recorded as a long-term contract payable, is \$52,848.

In August 1994, the Town and the Village of Sussex approved resolutions supporting the construction of a new library facility whereby the Town has committed to share in the cost of the new library facility. The Town's share of the debt service on the library bonds is subject to annual adjustments based on contractual arrangements. At December 31, 2012, the amount of this commitment was estimated at \$155,603, which has been recorded as a long-term contract payable. The Town's share may be adjusted for changes in the equalized value provision of the agreement.

In 2007, the Town entered into an intermunicipal agreement with the Village of Sussex whereby the Town has committed to share in the capital costs of the expansion and upgrade of the Sussex Wastewater Treatment Facility. The Town will receive rights to additional wastewater treatment capacity. At December 31, 2012, the amount of this commitment, which is recorded as a long-term contract payable, is \$1,582,177.

**TOWN OF LISBON**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**7. LONG-TERM OBLIGATIONS (Continued)**  
**B. Contracts Payable – Unsecured (Continued)**

**Village of Lannon - Contracts Payable**

In 1996, the Town entered into an intermunicipal agreement with the Village of Lannon whereby the Town has committed to share in the capital costs of the construction of the Lannon Interceptor Sewer System. At December 31, 2012, the amount of this commitment is \$30,718, which has been recorded as a long-term contract payable.

Details related to the contracts payable at December 31, 2012 are as follows:

Type	Date of Issue	Interest Rate	Principal Payable	Interest Payable	Original Amount	Balance 12/31/2012	Amount due within 1 year
Village of Sussex							
Contracts payable:							
Clean Water Fund							
Loans:	1994 & 1995	3.19%	5/1/95-13	5/1&11/1	\$ 764,716	\$ 52,848	\$ 52,848
	2007	2.55%	5/1/09-27	5/1&11/1	1,912,595	1,582,177	87,931
Library Bonds	1995	4.4-5.75	8/1/97-14	8/1	1,283,054	155,603	93,362
Village of Lannon							
Contracts payable:							
Lannon Interceptor	1996	3.62	5/1/97-14	5/1&11/1	94,420	20,199	6,480
	1996	4.55	11/1/97-14	5/1&11/1	48,580	10,519	5,074
						<u>\$1,821,346</u>	<u>\$245,695</u>

Annual principal and interest payments to maturity on general obligation debt and long-term contracts payable are as follows:

Year	Principal	Interest	Total	Balance Outstanding December 31,
2013	\$ 953,134	\$ 273,938	\$ 1,227,072	\$ 8,154,503
2014	973,959	239,064	1,213,023	7,180,543
2015	970,102	201,992	1,172,094	6,210,442
2016	1,011,764	165,898	1,177,662	5,198,678
2017	1,035,573	128,400	1,163,973	4,163,105
2018-2022	2,615,047	276,048	2,891,095	1,548,058
2023-2027	594,925	30,839	625,764	953,134
	<u>\$ 8,154,503</u>	<u>\$ 1,316,179</u>	<u>\$ 9,470,682</u>	

**TOWN OF LISBON**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

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**7. LONG-TERM OBLIGATIONS (Continued)**  
**D. Other Long-Term Debt Disclosures (Continued)**

Section 67.03 of the Wisconsin Statutes restricts the Town's general obligation debt to 5% of the equalized value of all property in the Town. The Town's margin of indebtedness at December 31, 2012 is summarized below:

Equalized valuation - 2012	<u>\$1,033,412,700</u>
Margin of indebtedness:	
5% of equalized valuation	\$ 51,670,635
Less: outstanding general obligation debt	<u>(6,333,157)</u>
Margin of indebtedness	<u>\$ 45,337,478</u>

Interest expenditures on long-term debt during the year were \$288,129.

**TOWN OF LISBON**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**8. GOVERNMENTAL FUND BALANCES**

Governmental fund balances reported on the governmental funds balance sheet at December 31, 2012 include the following:

	Major Funds			Non-major Funds	Total
	General	Capital Projects	Debt Service	Governmental Funds	
<b>Nonspendable:</b>					
Delinquent personal property taxes	\$ 5,559	\$ -	\$ -	\$ -	\$ 5,559
Prepaid expenses	23,380	-	-	-	23,380
<b>Total Nonspendable</b>	<b>28,939</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,939</b>
<b>Restricted</b>					
Wastewater treatment study	-	-	-	104,747	104,747
Library	-	-	-	32,552	32,552
Park	-	-	-	40,934	40,934
Building	-	-	-	185,642	185,642
Fire Operations	-	-	-	56,402	56,402
Holding tank fund	13,500	-	-	-	13,500
Fire equipment fund	-	36,500	-	-	36,500
Debt service	-	-	315,971	-	315,971
<b>Total Restricted</b>	<b>13,500</b>	<b>36,500</b>	<b>315,971</b>	<b>420,277</b>	<b>786,248</b>
<b>Assigned:</b>					
2013 budget appropriations	60,690	61,555	-	-	122,245
9/11 Memorial	33,356	-	-	-	33,356
<b>Total Assigned</b>	<b>94,046</b>	<b>61,555</b>	<b>-</b>	<b>-</b>	<b>155,601</b>
<b>Unassigned:</b>	<b>1,747,105</b>	<b>147,587</b>	<b>-</b>	<b>-</b>	<b>1,894,692</b>
<b>Total</b>	<b>\$ 1,883,590</b>	<b>\$ 245,642</b>	<b>\$ 315,971</b>	<b>\$ 420,277</b>	<b>\$ 2,865,480</b>

**9. RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health claims; unemployment compensation claims; and environmental damage for which the Town purchases commercial insurance. There has been no reduction in insurance coverage from the coverage in the prior year. Insurance settlements for claims resulting from the risks covered by commercial insurance have not exceeded the insurance coverage in any of the past three years.

**TOWN OF LISBON**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

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**10. WASTEWATER TREATMENT STUDY**

The Town has completed its wastewater treatment study for two areas of the Town. A facilities plan for each area has been developed to identify the type of the existing wastewater treatment systems, identify problems with the existing systems, evaluate a variety of potential wastewater treatment options and select the most effective and efficient solution to the existing wastewater treatment problems and future treatment needs. These studies were funded by grants from the U.S. Environmental Protection Agency which is administered by the Wisconsin Department of Natural Resources (DNR).

Over the years, the Town has received approximately \$350,000 in grant funds for these studies. At December 31, 2012, the Capital Projects Fund includes approximately \$104,747 of unspent grant funds.

The facilities plan is the first step in a three-step process required to complete wastewater treatment works under the Federal or State grant programs. The second step is preparation of detailed design plans and specifications. The third and final step is construction of the required wastewater treatment facilities.

In August 1987, the Town created the Town of Lisbon Sanitary District No. 1 to assume the responsibilities related to planning area No. 1. At December 31, 2012, the future development of planning area No. 2 was uncertain.

**11. JOINT VENTURE**

The Pauline Haass Public Library was created by the Town of Lisbon and the Village of Sussex by adoption of ordinances dated June 22, 1987 and May 26, 1987 respectively. On dissolution of the Library, the net position of the Library will be divided among the two municipalities in accordance with the ratio of expense sharing in the average of the five year period preceding termination. The Library is governed by a seven member board consisting of three members appointed by each municipality and the School District Superintendent. The Town and the Village are each obligated by contract to annually finance the Library's budget. Funding the costs of the Library is shared by each municipality proportionately, based upon the equalized valuation of each municipality as of October 1 of the year the budget is approved. In accordance with the joint venture agreement, the Town remitted \$454,725 to finance the 2012 budget, which is reported as a General Fund expenditure. The Town has also committed to partially repay bonds issued to construct the library facility as described in Note 7 B. Complete financial statements for the Library can be obtained from the Library Director at N64 W23760 Main Street, Sussex, Wisconsin.

**12. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended December 31, 2012, some expenditures exceeded budget. Revenues and other financing sources were available to fund the excess. The Town controls expenditures at the department level. Some individual departments experienced expenditures which exceeded appropriations. The detail of these items can be found in the Town's year-end budget to actual report.

**TOWN OF LISBON**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

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**13. CONTINGENCIES AND COMMITMENTS**

Town is involved in several legal actions and claims, most of which normally occur in governmental operations. These actions and claims are being defended by the Town's various insurance carriers, since claims brought against the Town are generally covered by insurance policies. In the opinion of Town management, these actions, claims and any other proceedings known to exist at December 31, 2012, are not likely to have a material adverse impact on the Town's financial position.

Funding for the operating budget of the Town comes from many sources, including property taxes, grants and aids from other units of government, user fees, fines and permits, and other miscellaneous revenues. The State of Wisconsin provides a variety of aid and grant programs which benefit the Town. Those aid and grant programs are dependent on continued approval and funding by the Wisconsin governor and legislature, through their budget processes. Any changes made by the State to funding or eligibility of local aid programs could have a significant impact on the future operating results of the Town.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Required Supplementary Information**

**Town of Lisbon  
Budgetary Comparison Schedule for the General Fund  
For the Year Ended December 31, 2012**

	Budgeted Amounts		Actual	Variances with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property taxes	\$ 2,169,252	\$ 2,169,252	\$ 2,169,210	\$ (42)
Other taxes	105,000	105,000	112,024	7,024
Intergovernmental	448,631	448,631	459,505	10,874
Licenses, permits and fees	265,290	265,290	314,389	49,099
Fines and forfeits	76,300	76,300	78,402	2,102
Charges for services	1,067,650	1,067,650	1,043,989	(23,661)
Interest	30,000	30,000	11,765	(18,235)
Miscellaneous	52,000	52,000	85,103	33,103
Total Revenues	<u>4,214,123</u>	<u>4,214,123</u>	<u>4,274,387</u>	<u>60,264</u>
<b>Expenditures:</b>				
<b>Current</b>				
General government	685,124	685,124	566,683	118,441
Public safety	1,186,458	1,186,458	1,179,376	7,082
Public works	1,083,012	1,083,012	1,034,095	48,917
Sanitation	704,550	704,550	706,857	(2,307)
Recreation and education	628,875	628,875	619,502	9,373
Total Expenditures	<u>4,288,019</u>	<u>4,288,019</u>	<u>4,106,513</u>	<u>181,506</u>
Excess (deficiency) of revenues over expenditures	<u>(73,896)</u>	<u>(73,896)</u>	<u>167,874</u>	<u>241,770</u>
Net change in fund balances	(73,896)	(73,896)	167,874	241,770
Fund balance-Beginning of year	<u>1,715,716</u>	<u>1,715,716</u>	<u>1,715,716</u>	<u>-</u>
Fund balance-End of year	<u>\$ 1,641,820</u>	<u>\$ 1,641,820</u>	<u>\$ 1,883,590</u>	<u>\$ 241,770</u>

**Required Supplementary Information**

**Town of Lisbon**

**Schedule of Funding Progress and Employer Contributions  
Other Post Employment Benefits  
December 31, 2012**

**Other Post Employment Benefits**

**Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
1/1/2010	\$ -	\$ 161,318	\$ 161,318	0.00%	N/A	N/A
1/1/2011	\$ -	\$ 118,916	\$ 118,916	0.00%	N/A	N/A
1/1/2012	\$ -	\$ 134,982	\$ 134,982	0.00%	N/A	N/A

**Schedule of Employer Contributions**

<b>Fiscal Year End</b>	<b>Annual Required Contribution (ARC)</b>	<b>Contribution</b>	<b>Percentage of ARC Contributed</b>	<b>Net OPEB Obligation (Asset)</b>
12/31/2010	\$ 12,471	\$ -	0.00%	\$ 30,583
12/31/2011	\$ 6,231	\$ -	0.00%	\$ 36,814
12/31/2012	\$ 12,884	\$ -	0.00%	\$ 49,698

**OTHER SUPPLEMENTARY INFORMATION**

**Other Supplementary Information**

**Town of Lisbon  
Budgetary Comparison Schedule for the Capital Projects Fund- Equipment Acquisition  
For the Year Ended December 31, 2012**

	Budgeted Amounts		Actual (GAAP Basis)	Variances with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Total Revenues	\$ 7,520	\$ 7,520	\$ 196,372	\$ 188,852
	<u>7,520</u>	<u>7,520</u>	<u>196,372</u>	<u>188,852</u>
Expenditures:				
Current				
Capital outlay	588,645	588,645	1,082,456	(493,811)
Debt service	4,000	4,000	3,750	250
Total Expenditures	<u>592,645</u>	<u>592,645</u>	<u>1,086,206</u>	<u>(493,561)</u>
Excess (deficiency) of revenues over expenditures	<u>(585,125)</u>	<u>(585,125)</u>	<u>(889,834)</u>	<u>(304,709)</u>
Other Financing Sources (Uses):				
Proceeds from debt	540,000	540,000	594,250	54,250
Transfers In	<u>45,125</u>	<u>45,125</u>	<u>-</u>	<u>(45,125)</u>
Total other financing sources(uses)	<u>585,125</u>	<u>585,125</u>	<u>594,250</u>	<u>9,125</u>
Net change in fund balances	-	-	(295,584)	(295,584)
Fund balance-Beginning of year	<u>541,226</u>	<u>541,226</u>	<u>541,226</u>	<u>-</u>
Fund balance-End of year	<u>\$ 541,226</u>	<u>\$ 541,226</u>	<u>\$ 245,642</u>	<u>\$ (295,584)</u>

**Other Supplementary Information**

**Town of Lisbon  
Budgetary Comparison Schedule for the Debt Service Fund  
For the Year Ended December 31, 2012**

	Budgeted Amounts		Actual (GAAP Basis)	Variances with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property taxes	\$ 1,195,721	\$ 1,195,721	\$ 1,195,721	\$ -
Intergovernmental	45,900	45,900	46,332	
Charges for services	-	-	33,200	33,200
Interest	-	-	213	213
Total Revenues	<u>1,241,621</u>	<u>1,241,621</u>	<u>1,275,466</u>	<u>33,845</u>
<b>Expenditures:</b>				
Current				
Debt service	1,241,621	1,241,621	1,205,686	35,935
Total Expenditures	<u>1,241,621</u>	<u>1,241,621</u>	<u>1,205,686</u>	<u>35,935</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>69,780</u>	<u>69,780</u>
Net change in fund balances	-	-	69,780	69,780
Fund balance-Beginning of year	246,191	246,191	246,191	-
Fund balance-End of year	<u>\$ 246,191</u>	<u>\$ 246,191</u>	<u>\$ 315,971</u>	<u>\$ 69,780</u>

**Other Supplementary Information**

**Town of Lisbon  
Combining Balance Sheet  
Non-Major Governmental Funds  
December 31, 2012**

	SPECIAL REVENUE FUNDS				CAPITAL PROJECTS	Total Non-Major Governmental Funds
	Library Fund	Park Fund	Building Fund	Fire Operations Fund	Sewer Study Fund	
<b>ASSETS</b>						
Cash and Investments	\$ 32,552	\$ 41,033	\$ 185,642	\$ 56,402	\$ 104,747	\$ 420,376
Total Assets	<u>\$ 32,552</u>	<u>\$ 41,033</u>	<u>\$ 185,642</u>	<u>\$ 56,402</u>	<u>\$ 104,747</u>	<u>\$ 420,376</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts Payable	\$ -	\$ 99	\$ -	\$ -	\$ -	\$ 99
Total Liabilities	<u>-</u>	<u>99</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>99</u>
<b>FUND BALANCES</b>						
Restricted	32,552	40,934	185,642	56,402	104,747	420,277
Total Fund Balances	<u>32,552</u>	<u>40,934</u>	<u>185,642</u>	<u>56,402</u>	<u>104,747</u>	<u>420,277</u>
Total Liabilities and Fund Balances	<u>\$ 32,552</u>	<u>\$ 41,033</u>	<u>\$ 185,642</u>	<u>\$ 56,402</u>	<u>\$ 104,747</u>	<u>\$ 420,376</u>

**Other Supplementary Information**

**Town of Lisbon  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Non-Major Governmental Funds  
For the Year Ended December 31, 2012**

	SPECIAL REVENUE FUNDS				CAPITAL PROJECTS	Total Nonmajor Governmental Funds
	Library Fund	Park Fund	Building Fund	Fire Operations Fund	Sewer Study Fund	
<b>REVENUES</b>						
Charges for Services	\$ -	\$ -	\$ -	\$ 21,396	\$ -	\$ 21,396
Interest Income	26	61	148	63	-	298
Donations	-	6,774	-	-	-	6,774
Miscellaneous Income	12,599	7,632	-	-	-	20,231
Total Revenues	<u>12,625</u>	<u>14,467</u>	<u>148</u>	<u>21,459</u>	<u>-</u>	<u>48,699</u>
<b>EXPENDITURES</b>						
Current:						
Culture, Recreation and Education	-	8,692	-	-	-	8,692
Total Expenditures	<u>-</u>	<u>8,692</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,692</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>12,625</u>	<u>5,775</u>	<u>148</u>	<u>21,459</u>	<u>-</u>	<u>40,007</u>
Net Change in Fund Balances	12,625	5,775	148	21,459	-	40,007
Fund Balances - Beginning	19,927	35,159	185,494	34,943	104,747	380,270
Fund Balances - Ending	<u>\$ 32,552</u>	<u>\$ 40,934</u>	<u>\$ 185,642</u>	<u>\$ 56,402</u>	<u>\$ 104,747</u>	<u>\$ 420,277</u>

**TOWN OF LISBON  
COMPARATIVE SCHEDULE OF PROPERTY TAXES LEVIED  
AND ASSESSED AND EQUALIZED VALUATIONS**

**2008-2012 Tax Rolls**

	2008	2009	2010	2011	2012
State tax	\$ 194,485	\$ 191,709	\$ 185,257	\$ 184,537	\$ 175,376
County tax	2,049,079	2,110,892	2,150,777	2,186,581	2,175,491
Special District tax	43,000	43,000	44,000	44,000	43,000
Local tax	3,073,456	3,227,132	3,321,862	3,364,773	3,420,606
School tax:					
Local schools	10,555,702	10,937,403	11,210,113	11,160,070	11,085,720
Vocational school	1,267,314	1,306,832	1,346,541	1,360,736	1,344,074
<b>Total general property tax levy</b>	<b>17,183,036</b>	<b>17,816,968</b>	<b>18,258,550</b>	<b>18,300,697</b>	<b>18,244,267</b>
Special assessments and special charges:					
Sewer/water main	43,613	499	-	-	-
Noxious weeds	3,375	1,959	1,881	-	2,233
Garbage removal	613,340	647,420	695,015	723,980	748,394
Sewer capacity charge	48,643	45,432	45,128	33,200	32,959
Stormwater utility	198,832	201,726	201,333	201,362	201,605
Other	13,183	12,813	3,025	2,592	8,700
Delinquent utility charges	5,510	6,740	8,597	10,339	10,805
<b>Total special assessments and special charges</b>	<b>926,496</b>	<b>916,589</b>	<b>954,979</b>	<b>971,473</b>	<b>1,004,696</b>
Woodland land taxes	187	504	504	504	721
<b>Total tax rolls</b>	<b>\$ 18,109,719</b>	<b>\$ 18,734,061</b>	<b>\$ 19,214,033</b>	<b>\$ 19,272,674</b>	<b>\$ 19,249,684</b>
Assessed valuation	\$ 1,109,492,138	\$ 1,106,011,492	\$ 1,111,108,603	\$ 1,138,212,411	\$ 1,144,606,242
Equalized valuation	\$ 1,146,008,500	\$ 1,129,654,600	\$ 1,091,634,500	\$ 1,087,393,700	\$ 1,033,412,700
Ratio of assessment	97%	98%	102%	105%	111%