



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

Certified Public Accountants



**Waukesha County, Wisconsin**

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

**December 31, 2015**

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**TOWN OF LISBON**

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**December 31, 2015**

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Certified Public Accountants

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## INDEPENDENT AUDITOR'S REPORT

April 15, 2016

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, 2015, 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, 2015, 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.

### ***Emphasis of Matter***

As discussed in Note 1 to the financial statements, effective January 1, 2015, the Town of Lisbon adopted the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Our opinions are 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 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.

Management has omitted a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.



***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  
Statement of Net Position  
December 31, 2015**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash and Equivalents	\$ 3,561,867	\$ 335,006	\$ 3,896,873
Taxes Receivable	4,368,908	229,270	4,598,178
Accounts Receivable	286,758	35,200	321,958
Prepaid Expenses	667,496	-	667,496
Total Current Assets	<u>8,885,029</u>	<u>599,476</u>	<u>9,484,505</u>
Restricted Assets:			
Net Pension Asset	165,874	-	165,874
Total Restricted Assets	<u>165,874</u>	<u>-</u>	<u>165,874</u>
Capital Assets:			
Capital Assets	33,222,534	624,951	33,847,485
Less: Accumulated Depreciation	(18,842,545)	(16,337)	(18,858,882)
Net Capital Assets	<u>14,379,989</u>	<u>608,614</u>	<u>14,988,603</u>
Other Assets:			
Capacity Entitlements - net of amortization	1,432,298	-	1,432,298
Total Assets	<u>24,863,190</u>	<u>1,208,090</u>	<u>26,071,280</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Pension Outflows	177,509	-	177,509
Deferred Loss on Advance Refunding	69,117	-	69,117
Total Deferred Outflows of Resources	<u>246,626</u>	<u>-</u>	<u>246,626</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 25,109,816</u>	<u>\$ 1,208,090</u>	<u>\$ 26,317,906</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 331,399	\$ 31,919	\$ 363,318
Deposits Payable	118,022	-	118,022
Accrued Interest	37,806	-	37,806
Current Portion of Long-term Obligations	1,144,125	-	1,144,125
Total Current Liabilities	<u>1,631,352</u>	<u>31,919</u>	<u>1,663,271</u>
Noncurrent Liabilities:			
Noncurrent Portion of Long-term Obligations	5,138,380	-	5,138,380
Total Noncurrent Liabilities	<u>5,138,380</u>	<u>-</u>	<u>5,138,380</u>
Total Liabilities	<u>6,769,732</u>	<u>31,919</u>	<u>6,801,651</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Tax Levy	4,379,864	229,270	4,609,134
Total Deferred Inflows of Resources	<u>4,379,864</u>	<u>229,270</u>	<u>4,609,134</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	9,615,282	608,614	10,223,896
Restricted for:			
Pension	343,383	-	343,383
Unrestricted	4,001,555	338,287	4,339,842
Total Net Position	<u>13,960,220</u>	<u>946,901</u>	<u>14,907,121</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 25,109,816</u>	<u>\$ 1,208,090</u>	<u>\$ 26,317,906</u>

See accompanying notes to the basic financial statements.

**Town of Lisbon**  
**Statement of Activities**  
**For the Year Ended December 31, 2015**

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Activities	Total
<b>Governmental Activities</b>							
General Government	\$ 794,981	\$ 119,990	\$ 117,635	\$ -	\$ (557,356)		\$ (557,356)
Public Safety	1,504,552	722,351	84,690	-	(697,511)		(697,511)
Public Works	1,752,495	75,027	301,746	-	(1,375,722)		(1,375,722)
Sanitation	738,016	815,432	-	-	77,416		77,416
Recreation and Education	157,832	21,780	53,593	-	(82,459)		(82,459)
Interest and Fiscal Charges	136,742	-	-	-	(136,742)		(136,742)
Total Governmental Activities	<u>5,084,618</u>	<u>1,754,580</u>	<u>557,664</u>	<u>-</u>	<u>(2,772,374)</u>		<u>(2,772,374)</u>
<b>Business-type Activities</b>							
Storm Water	111,564	229,019	-	35,200		152,655	152,655
Total Business-type Activities	<u>111,564</u>	<u>229,019</u>	<u>-</u>	<u>35,200</u>		<u>152,655</u>	<u>152,655</u>
Total Government	<u>\$ 5,196,182</u>	<u>\$ 1,983,599</u>	<u>\$ 557,664</u>	<u>\$ 35,200</u>	(2,772,374)	152,655	(2,619,719)
<b>General Revenues:</b>							
<b>Taxes:</b>							
Property Taxes, levied for general purposes					2,252,427	-	2,252,427
Property Taxes, levied for debt service					1,233,106	-	1,233,106
Other Taxes					100,347	-	100,347
Interest and Investment Earnings					10,898	26	10,924
Miscellaneous					240,122	-	240,122
Transfers					93,000	(93,000)	-
Total General Revenues and Transfers					<u>3,929,900</u>	<u>(92,974)</u>	<u>3,836,926</u>
Special item - loss on disposal of asset					<u>(43,576)</u>	<u>-</u>	<u>(43,576)</u>
Change in Net Position					1,113,950	59,681	1,173,631
Net Position, beginning of year					12,503,294	887,220	13,390,514
Prior period adjustment					342,976	-	342,976
Net Position, beginning of year, restated					<u>12,846,270</u>	<u>887,220</u>	<u>13,733,490</u>
Net Position, end of year					<u>\$ 13,960,220</u>	<u>\$ 946,901</u>	<u>\$ 14,907,121</u>

See accompanying notes to the basic financial statements.

**Town of Lisbon  
Balance Sheet  
Governmental Funds  
December 31, 2015**

	<u>General Fund</u>	<u>Capital Projects - Equipment Acquisition</u>	<u>Debt Service Fund</u>	<u>Total Non- Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 2,385,270	\$ 516,804	\$ 324,111	\$ 335,680	\$ 3,561,865
Receivables:					
Taxes	3,114,573	-	1,246,230	-	4,360,803
Accounts	247,811	33,235	-	13,817	294,863
Prepaid Expenses	5,141	662,355	-	-	667,496
Total Assets	<u>\$ 5,752,795</u>	<u>\$ 1,212,394</u>	<u>\$ 1,570,341</u>	<u>\$ 349,497</u>	<u>\$ 8,885,027</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts Payable	\$ 296,027	\$ 35,375	\$ -	\$ -	\$ 331,402
Deposits Payable	118,022	-	-	-	118,022
Total Liabilities	<u>414,049</u>	<u>35,375</u>	<u>-</u>	<u>-</u>	<u>449,424</u>
Deferred Inflows of Resources:					
Deferred Tax Levy	3,133,634	-	1,246,230	-	4,379,864
Total Deferred Inflows of Resources	<u>3,133,634</u>	<u>-</u>	<u>1,246,230</u>	<u>-</u>	<u>4,379,864</u>
Fund Balances:					
Nonspendable	13,246	662,355	-	-	675,601
Restricted	13,500	-	324,111	335,833	673,444
Assigned	132,138	514,664	-	13,664	660,466
Unassigned	2,046,228	-	-	-	2,046,228
Total Fund Balances	<u>2,205,112</u>	<u>1,177,019</u>	<u>324,111</u>	<u>349,497</u>	<u>4,055,739</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,752,795</u>	<u>\$ 1,212,394</u>	<u>\$ 1,570,341</u>	<u>\$ 349,497</u>	<u>\$ 8,885,027</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, 2015**

Total fund balances, governmental funds		\$ 4,055,739
Amounts reported for governmental activities in the Statement of Net Position are different because:		
The net pension asset is not a current financial resource, and is therefore not reported in the fund statements.		
		165,874
Pension deferred outflows of resources and deferred inflows of resources are actuarially determined by the defined benefit pension plan. These items are reflected in the Statement of Net Position and are being amortized with pension expense in the Statement of Activities. The deferred outflows of resources and deferred inflows of resources are not financial resources or uses and therefore are not reported in the fund statements.		
Deferred outflows of resources		177,509
Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds:		
Governmental capital assets	33,222,534	
Governmental accumulated depreciation	<u>(18,842,545)</u>	
		14,379,989
Other assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds:		
Capacity Entitlements	2,677,311	
Accumulated amortization	<u>(1,245,013)</u>	
		1,432,298
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	(4,764,707)	
Contracts payable	(1,311,608)	
Loss on advanced refunding	69,117	
Accrued vacation and sick	(126,606)	
OPEB liability	(79,577)	
Accrued interest	(37,806)	
Rounding	<u>(2)</u>	
		(6,251,189)
Net Position of Governmental Activities in the Statement of Net Position		<u><u>\$ 13,960,220</u></u>

See accompanying notes to the basic financial statements.

**Town of Lisbon**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2015**

	General Fund	Capital Projects - Equipment Acquisition	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property Taxes	\$ 2,252,427	\$ -	\$ 1,233,106	\$ -	\$ 3,485,533
Other Taxes	100,347	-	-	-	100,347
Intergovernmental	523,460	90,322	-	-	613,782
License and Permits	413,831	-	-	-	413,831
Fines, Forfeits and Penalties	76,450	-	-	-	76,450
Charges for Services	1,144,081	-	-	21,542	1,165,623
Interest Income	10,748	34	50	72	10,904
Donations	-	23,751	-	711	24,462
Miscellaneous Income	86,551	194,745	-	24,656	305,952
Total Revenues	<u>4,607,895</u>	<u>308,852</u>	<u>1,233,156</u>	<u>46,981</u>	<u>6,196,884</u>
<b>EXPENDITURES</b>					
Current:					
General Government	761,177	-	-	-	761,177
Public Safety	1,380,224	-	-	-	1,380,224
Public Works	1,090,045	-	-	-	1,090,045
Sanitation	738,016	-	-	-	738,016
Recreation and Education	170,889	-	-	3,208	174,097
Capital Outlay	-	368,238	-	-	368,238
Debt Service	-	-	1,978,051	-	1,978,051
Total Expenditures	<u>4,140,351</u>	<u>368,238</u>	<u>1,978,051</u>	<u>3,208</u>	<u>6,489,848</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>467,544</u>	<u>(59,386)</u>	<u>(744,895)</u>	<u>43,773</u>	<u>(292,964)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from Long-Term Debt	-	23,304	-	-	23,304
Proceeds from Capital Leases	9,478	-	-	-	9,478
Transfers In	93,000	728,285	-	-	821,285
Transfers Out	(683,285)	-	(45,000)	-	(728,285)
Total Other Financing Sources and Uses	<u>(580,807)</u>	<u>751,589</u>	<u>(45,000)</u>	<u>-</u>	<u>125,782</u>
Net Change in Fund Balances	(113,263)	692,203	(789,895)	43,773	(167,182)
Fund Balances - Beginning	2,318,375	484,816	1,114,006	305,724	4,222,921
Fund Balances - Ending	<u>\$ 2,205,112</u>	<u>\$ 1,177,019</u>	<u>\$ 324,111</u>	<u>\$ 349,497</u>	<u>\$ 4,055,739</u>

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, 2015**

Net change in fund balances - total governmental funds:		\$ (167,182)
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		(5,168)
Other post employment benefits recorded when paid in governmental funds		(9,822)
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.		
		(45,076)
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	667,395	
Depreciation/Amortization expenses reported in the Statement of Activities	<u>(1,024,655)</u>	
Amount by which capital outlays are greater (less) than depreciation in the current period		(357,260)
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	1,813,419	
Acquisition of long-term debt/capital leases is reported in the governmental funds as an other financing source, but is reported as an increase in long-term debt/capital leases in the Statement of Net Position and does not affect the Statement of Activities.		
The amount of long-term debt/capital leases acquired in the current year	<u>(32,782)</u>	
The decrease (increase) in long-term debt		1,780,637
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		(39,349)
Pension expense reported in the governmental funds represents current year required contributions into the defined benefit pension plan. Pension expense in the Statement of Activities is actuarially determined by the defined benefit pension plan as the difference between the net pension asset from the prior year to the current year, with some adjustments.		
Amount of current year required contributions into the defined benefit pension plan	63,269	
Actuarially determined change in net pension asset between years, with adjustments	<u>(106,099)</u>	
Change in net position of governmental activities		<u><u>\$ 1,113,950</u></u>

See accompanying notes to the basic financial statements.

**Town of Lisbon  
Statement of Net Position  
Proprietary Fund  
December 31, 2015**

	<u><b>Storm Water</b></u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 335,006
Receivables	
Taxes	229,270
Accounts	35,200
Total Current Assets	<u>599,476</u>
Capital Assets:	
Land and Improvements	334,838
Construction Work in Progress	45,064
Other Capital Assets	245,049
Less Accumulated Depreciation	<u>(16,337)</u>
Net Capital Assets	<u>608,614</u>
Total Assets	<u><u>\$ 1,208,090</u></u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	<u>\$ 31,919</u>
Total Current Liabilities	<u>31,919</u>
Total Liabilities	<u>31,919</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Tax Levy	<u>229,270</u>
Total Deferred Inflows of Resources	<u>229,270</u>
<b>NET POSITION</b>	
Unrestricted	<u>946,901</u>
Total Net Position	<u>946,901</u>
Total Liabilities, Deferred Inflows of Resources and Net Assets	<u><u>\$ 1,208,090</u></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, 2015**

	<u><b>Storm Water</b></u>
<b>OPERATING REVENUES</b>	
Charges for Services	\$ 229,018
Total Operating Revenues	<u>229,018</u>
<b>OPERATING EXPENSES</b>	
Operation and Maintenance	103,395
Depreciation	<u>8,168</u>
Total Operating Expenses	<u>111,563</u>
Operating Income (Loss)	117,455
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest and Investment Revenue	26
Capital Grants and Contributions	<u>35,200</u>
Total Non-Operating Revenue (Expenses)	<u>35,226</u>
Income (Loss) Before Contributions and Transfers	<u>152,681</u>
Transfers Out	<u>(93,000)</u>
Change in Net Position	59,681
Total Net Position - Beginning	<u>887,220</u>
Total Net Position - Ending	<u><u>\$ 946,901</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, 2015**

	<b>Storm Water Utility</b>
Cash Flows From:	
Operating Activities:	
Receipts from customers and users	\$ 207,106
Payments to suppliers	(87,219)
Net cash - operating activities	119,887
Non-Capital Financing Activities	
Transfer out	(93,000)
Net cash - non-capital financing activities	(93,000)
Capital and Related Financing Activities	
Capital grants and contributions	35,200
Acquisition and construction of plant assets	(45,064)
Net cash - capital and related financing activities	(9,864)
Investing Activities	
Interest received	26
Net cash - investing activities	26
Net change in cash and cash equivalents	17,049
Cash and cash equivalents-Beginning of year	317,957
Cash and cash equivalents-End of year	\$ 335,006
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating Income (Loss)	\$ 117,455
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	8,168
Changes in assets and liabilities:	
Accounts payable	16,176
Deferred tax levy	(73)
Net cash provided (used) by operating activities	\$ 119,887

See accompanying notes to the basic financial statements.

**Town of Lisbon  
Statement of Net Position  
Fiduciary Fund  
December 31, 2015**

	<u>Tax Agency</u>
<b>ASSETS</b>	
Cash and Investments	\$ 9,670,438
Property Taxes Receivable	<u>4,203,059</u>
Total Assets	<u><u>\$ 13,873,497</u></u>
<b>LIABILITIES</b>	
Due to Other Governments	<u>\$ 13,873,496</u>
Total Liabilities	<u><u>\$ 13,873,496</u></u>

See accompanying notes to the basic financial statements.

**TOWN OF LISBON**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**

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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
- 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, 2015**

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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, 2015**

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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, 2015**

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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, 2015**

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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 – 2015 tax roll:

Lien date and levy date	December 2015
Tax bills mailed	December 2015
Payment in full, or	January 31, 2016
First installment due	January 31, 2016
Second installment due to County	July 31, 2016
Tax settlement with County:	
Initial settlement	January 15, 2016
Second settlement	February 20, 2016
Final settlement	August 15, 2016
Personal property taxes in full	January 31, 2016
Tax deed by County - 2015	
delinquent real estate taxes	October 2018

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, 2015**

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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.

**TOWN OF LISBON**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**

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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, 2015 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 \$144,872 has been made as of December 31, 2015.

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, 2015**

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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, 2015**

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**1. 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 – The Town follows 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, 2015**

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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, 2015**

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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.

**M. PENSIONS**

For purposes of measuring the net pension liability (asset), deferred outflows of resources, and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported for WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

**N. CHANGE IN ACCOUNTING PRINCIPLE**

Effective January 1, 2015, the Town adopted the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Implementation of GASB Statement No. 68 required net position in the governmental activities to be increased by \$342,976. A prior period adjustment was made to reflect the January 1, 2015 beginning net pension asset of \$273,992 and beginning deferred outflows of resources of \$68,984 for District contributions to the WRS after the December 31, 2013 measurement date through December 1, 2014.

**TOWN OF LISBON**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**

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**2. DEPOSITS AND INVESTMENTS**

At December 31, 2015, the cash and investments consist of the following:

Deposits in Local Government Investment Pool	\$ 869,948
Deposits in Financial Institutions, Interest Bearing Accounts	<u>12,697,362</u>
	<u><u>\$ 13,567,310</u></u>

Cash and investments as of December 31, 2015 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 3,896,873
Fiduciary Funds:	
Cash and Investments	<u>9,670,437</u>
Total Cash and Investments	<u><u>\$ 13,567,310</u></u>

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.

**TOWN OF LISBON**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**

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

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.

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. 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, 2015, 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.

**TOWN OF LISBON**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**

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

As of December 31, 2015, 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 \$ 10,877,286

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.

**3. CAPITAL ASSETS**

Capital assets transactions for the governmental activities year ended December 31, 2015 are summarized below:

<u>Governmental Activities</u>	Balance 1/1/2015	Additions	Deletions	Balance 12/31/2015
Land – non-depreciable	\$ 558,240	\$ -	\$ -	\$ 558,240
Buildings and improvements	2,796,280	27,148	4,573	2,818,855
Equipment and furnishings	4,402,723	330,974	254,811	4,478,886
Infrastructure	<u>25,162,880</u>	<u>309,273</u>	<u>105,600</u>	<u>25,366,553</u>
 Total Capital Assets	 <u>\$ 32,920,123</u>	 <u>\$ 667,395</u>	 <u>\$ 364,984</u>	 <u>\$ 33,222,534</u>
 Accumulated Depreciation				
Buildings and improvements	\$ 825,399	\$ 50,681	\$ -	\$ 876,080
Equipment and furnishings	1,855,004	255,363	214,308	1,896,059
Infrastructure	<u>15,457,395</u>	<u>718,611</u>	<u>105,600</u>	<u>16,070,406</u>
 Total Accumulated Depreciation	 <u>18,137,798</u>	 <u>1,024,655</u>	 <u>319,908</u>	 <u>18,842,545</u>
 Capital Assets Net of Depreciation	 <u>\$ 14,782,325</u>	 <u>\$ (357,260)</u>	 <u>\$ 45,076</u>	 <u>\$ 14,379,989</u>

**TOWN OF LISBON**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**

**3. CAPITAL ASSETS (Continued)**

Depreciation expense was charged to functions as follows:

**Governmental Activities**

General government	\$ 53,387
Public safety	107,586
Public works	838,792
Culture and Recreation	<u>24,890</u>

Total governmental activities depreciation expense	<u><u>\$ 1,024,655</u></u>
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Capital asset transactions in the business type activities for the year ended December 31, 2015 are summarized below:

	<u>Balance</u> <u>1/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2015</u>
<u>Storm Water</u>				
Capital assets not being depreciated				
Construction in progress	\$ -	\$ 45,064	\$ -	\$ 45,064
Land and land rights	<u>334,838</u>	<u>-</u>	<u>-</u>	<u>334,838</u>
Total Capital Assets Not Being Depreciated	<u>334,838</u>	<u>45,064</u>	<u>-</u>	<u>379,902</u>
Capital assets being depreciated				
Plant	<u>245,049</u>	<u>-</u>	<u>-</u>	<u>245,049</u>
Total Capital Assets Being Depreciated	<u>245,049</u>	<u>-</u>	<u>-</u>	<u>245,049</u>
Total Capital Assets	579,887	45,064	-	624,951
Less: Accumulated depreciation	<u>(8,168)</u>	<u>(8,169)</u>	<u>-</u>	<u>(16,337)</u>
Net Storm Water Plant	<u><u>\$ 571,719</u></u>	<u><u>\$ 36,895</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 608,614</u></u>

**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, 2015, accumulated amortization was \$1,245,013.

**TOWN OF LISBON**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**

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**5. DEFINED BENEFIT PENSION PLAN**

Defined Benefit Pension Plan

**Plan description.** The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

**Vesting.** For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

**Benefits provided.** Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. 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 participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

**TOWN OF LISBON**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**

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

*Post-Retirement Adjustments.* The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system’s consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the “floor”) set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2005	2.6%	7%
2006	0.8	3
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25

*Contributions.* Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Required contributions for protective employees 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.

During the reporting period, the WRS recognized \$63,269 in contributions from the employer.

Contribution rates as of December 31, 2015 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers)	6.8%	6.8%
Executives & Elected Officials	7.7%	7.7%
Protective with Social Security	6.8%	9.5%
Protective without Social Security	6.8%	13.1%

**TOWN OF LISBON**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**

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

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At December 31, 2015, the Town reported a liability (asset) of (\$165,874) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Town's proportion of the net pension liability (asset) was based on the Town's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2014, the Town's proportion was 0.00675308%, which was a decrease of .00019662% from its proportion measured as of December 31, 2013.

For the year ended December 31, 2015, the Town recognized pension expense of \$66,028.

At December 31, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 24,047	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	80,324	-
Changes in proportion and difference between Town contributions and proportionate share of contributions	4,103	-
Town contributions subsequent to the measurement date	69,035	-
Total	<u>\$ 177,509</u>	<u>\$ -</u>

**TOWN OF LISBON**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**

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

\$69,035 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended December 31:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2016	\$ 24,731	\$ -
2017	24,731	-
2018	24,731	-
2019	24,731	-
2020	9,550	-

**Actuarial assumptions.** The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2013
Measurement Date of Net Pension Liability (Asset):	December 31, 2014
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.8%
Mortality:	Wisconsin 2012 Mortality Table
Post-Retirement Adjustments*	2.1%

\* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2014 is based upon a roll-forward of the liability calculated from the December 31, 2013 actuarial valuation.

**TOWN OF LISBON**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**

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

*Long-term expected Return on Plan Assets.* The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Real Rate of Return</u>	<u>Target Allocation</u>
US Equities	5.3%	21%
International Equities	5.7%	23%
Fixed Income	1.7%	36%
Inflation Sensitive Assets	2.3%	20%
Real Estate	4.2%	7%
Private Equity/Debt	6.9%	7%
Multi-Asset	3.9%	6%
Cash	0.9%	-20%

*Single Discount rate.* A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Town's proportionate share of the net pension liability (asset) to changes in the discount rate.* The following presents the Town's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the Town's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	<u>1% Decrease to Discount Rate (6.20%)</u>	<u>Current Discount Rate (7.20%)</u>	<u>1% Increase to Discount Rate (8.20%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 467,959	\$ (165,847)	\$ (666,450)

**TOWN OF LISBON**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**

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

*Pension plan fiduciary net position.* Detailed information about the pension plan’s fiduciary net position is available in separately issued financial statements available at <http://legis.wisconsin.gov/lab/> and reference report number 15-11.

**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.

Employees participating in the OPEB benefit consisted of the following at January 1, 2015, the date of the latest actuarial valuation.

Retirees	1
Active	4
Number of participating employees	5

The funded status of the OPEB benefit as of the most recent actuarial valuation date (January 1, 2015) is as follows:

<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>
1/1/15	<u>\$0</u>	<u>\$132,861</u>	<u>\$132,861</u>	<u>0%</u>	N/A	N/A

**TOWN OF LISBON**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**

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

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:

Measurement date	1/1/2015
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:

<b>Year Ended December 31,</b>	<b>Annual Required Contribution</b>	<b>Actual Contribution</b>	<b>Percent Contributed</b>	<b>Net OPEB Obligation (Asset)</b>
2015	<u>\$9,822</u>	<u>\$0</u>	<u>0%</u>	<u>\$79,577</u>

**TOWN OF LISBON**  
**NOTES TO FINANCIAL STATEMENTS**  
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**7. LONG-TERM OBLIGATIONS**

The long-term obligations activity for the year ended December 31, 2015 is summarized below:

	Balance Jan. 1, 2015	Additions	Payments/ Adjustments	Balance Dec. 31, 2015	Amounts due within 1 year
General obligation promissory notes	\$ 6,445,950	\$ 23,304	\$ 1,714,018	\$ 4,755,236	\$ 1,028,963
Village of Sussex contracts payable	1,404,075	-	92,467	1,311,608	94,822
Village of Lannon contracts payable	6,989	-	6,989	-	-
Capital Lease	-	9,478	-	9,478	3,160
Accumulated sick pay and vacation pay	121,438	5,168	-	126,606	17,180
OPEB Liability	69,755	9,822	-	79,577	-
	<u>\$ 8,048,207</u>	<u>\$ 47,772</u>	<u>\$ 1,813,474</u>	<u>\$ 6,282,505</u>	<u>\$ 1,144,125</u>

**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, 2015 are as follows:

Date of Issue	Interest Rate	Principal Payable	Interest Payable	Original Amount	Balance 12/31/15	Amount due within 1 year
7/5/2006	4.0-4.5%	3/1/08-21	3/1 & 9/1	\$2,940,000	\$ 225,000	\$ 225,000
4/15/2008	3.95%	4/15/09-18	4/15 &	790,000	237,000	79,000
5/15/2009	3.38%	5/15/10-19	5/15 &	470,000	188,000	47,000
7/1/2010	3.05%	7/1/11-20	7/1 & 1/1	550,000	275,000	55,000
8/1/2011	3.15%	8/1/12-21	2/1 & 8/1	650,000	390,000	65,000
8/15/2012	2.00%	8/15/13-22	2/15 & 8/15	594,250	415,975	59,425
8/1/2013	2.00%	8/1/14-23	2/1 & 8/1	567,000	453,600	56,700
3/1/2014	2.90%	3/1/15-24	3/1 & 9/1	539,250	485,325	53,925
12/11/2014	.5-1.9%	3/1/15-21	3/1 & 9/1	2,115,000	2,065,000	385,000
1/1/2015	0.00%	2/15/15-22	N/A	23,304	20,329	2,913
					<u>\$ 4,755,229</u>	<u>\$ 1,028,963</u>

**TOWN OF LISBON**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**

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

**B. Contracts Payable - Unsecured**

**Village of Sussex - Contracts Payable**

In 2007, the Town entered into an inter-municipal 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, 2015, the amount of this commitment, which is recorded as a long-term contract payable, is \$1,311,608.

Details related to the contracts payable at December 31, 2015 are as follows:

Type	Date of Issue	Interest Rate	Principal Payable	Interest Payable	Original Amount	Balance 12/31/2015	Amount due within 1 year
Village of Sussex Contracts payable: Clean Water Fund Loans:	2007	2.55%	5/1/09-27	5/1&11/1	\$ 1,912,595	\$1,311,608	\$ 94,822
						<u>\$1,311,608</u>	<u>\$ 94,822</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,
2016	\$ 1,123,785	\$ 125,357	\$ 1,249,142	\$ 4,943,114
2017	1,131,200	101,759	1,232,959	3,811,914
2018	773,677	82,571	856,248	3,038,237
2019	702,217	65,852	768,069	2,336,020
2020	657,821	50,780	708,601	1,678,199
2021-2025	1,431,215	88,231	1,519,446	246,929
2026-2027	246,929	6,330	253,259	-
	<u>\$ 6,066,844</u>	<u>\$ 520,879</u>	<u>\$ 6,587,723</u>	

**TOWN OF LISBON**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**

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**C. Other Long-Term Debt Disclosures**

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, 2015 is summarized below:

Equalized valuation - 2015	<u>\$1,081,769,100</u>
Margin of indebtedness:	
5% of equalized valuation	\$ 54,088,455
Less: outstanding general obligation debt	<u>(4,755,236)</u>
Margin of indebtedness	<u>\$ 49,333,219</u>

Interest expenditures on long-term debt during the year were \$125,201.

**D. Advance Refunding**

On December 11, 2014, the Town issued \$2,115,000 of G.O. Refunding Bonds. A portion of the bond proceeds will be used to advance refund \$1,280,000 of the outstanding July 5, 2006 G.O. Refunding Bonds principal and interest payments.

The proceeds related to the advance refunding were transferred to an escrow agent. The proceeds held in escrow will provide for future debt service on the refunded portion of the 2006 bonds. As a result, that portion of the 2006 bonds is considered refunded, and the Town has removed the liability from its accounts. The outstanding principal of the refunded bonds is \$1,280,000. The reacquisition price exceeded the net carrying amount of the old debt by \$80,636. This amount is reported as deferred outflow of resources and amortized over the remaining life of the refunded debt.

The advanced refunding reduced total debt service payments over the next 7 years by \$88,405. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$83,926.

**E. Capital Leases**

In July 2015 the Commission entered into a capital lease for the purchase of election equipment. The asset purchased under the capital lease totaled \$9,478. There were no principal payments made on the capital lease as of December 31, 2015.

Future minimum lease payments are as follows:

2016	\$ 3,159
2017	3,159
2018	<u>3,160</u>
Total	<u><u>\$ 9,478</u></u>

**TOWN OF LISBON**  
**NOTES TO FINANCIAL STATEMENTS**  
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**8. GOVERNMENTAL FUND BALANCES**

Governmental fund balances reported on the governmental funds balance sheet at December 31, 2015 include the following:

	Major Funds			Non-major Funds	Total
	General	Capital Projects	Debt Service	Governmental Funds	
Nonspendable:					
Delinquent personal property taxes	\$ 8,105	\$ -	\$ -	\$ -	\$ 8,105
Prepaid expenses	5,141	662,355	-	-	667,496
<b>Total Nonspendable</b>	<b>13,246</b>	<b>662,355</b>	<b>-</b>	<b>-</b>	<b>675,601</b>
Restricted					
Wastewater treatment study	-	-	-	104,927	104,927
Library	-	-	-	11,340	11,340
Park	-	-	-	56,453	56,453
Building	-	-	-	77,927	77,927
Fire Operations	-	-	-	85,186	85,186
Holding tank fund	13,500	-	-	-	13,500
Debt service	-	-	324,111	-	324,111
<b>Total Restricted</b>	<b>13,500</b>	<b>-</b>	<b>324,111</b>	<b>335,833</b>	<b>673,444</b>
Assigned:					
Vehicles and Equipment	132,138	198,888	-	-	331,026
Buildings	-	80,203	-	-	80,203
Road Projects	-	214,735	-	-	214,735
Other	-	20,838	-	-	20,838
9/11 Memorial	-	-	-	13,664	13,664
<b>Total Assigned</b>	<b>132,138</b>	<b>514,664</b>	<b>-</b>	<b>13,664</b>	<b>660,466</b>
Unassigned:	2,046,228	-	-	-	2,046,228
<b>Total</b>	<b>\$2,205,112</b>	<b>\$1,177,019</b>	<b>\$ 324,111</b>	<b>\$ 349,497</b>	<b>\$4,055,739</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**  
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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, 2015, the Sewer Study Fund includes approximately \$104,927 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, 2015, the future development of planning area No. 2 was uncertain.

**11. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended December 31, 2015, 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.

**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, 2015, 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.

**TOWN OF LISBON**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**

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**14. TRANSFERS**

The following is a schedule of interfund transfers for the year ended December 31, 2015:

<u>Fund Transferred To:</u>	<u>Fund Transferred From:</u>	<u>Amount</u>	<u>Purpose</u>
Capital Projects	General	\$ 683,285	Equipment Purchases
Capital Projects	Debt Service	45,000	Equipment Purchases
General	Storm Water	93,000	Reassign Fund Balance
Amount per governmental fund statement		\$ 821,285	
less elimination between governmental funds		(728,285)	
Transfers per government-wide statements		<u>\$ 93,000</u>	

**15. SUBSEQUENT EVENTS**

On January 11, 2016 the Town board approved the purchase of a single axel patrol truck for \$94,975 and the purchase of an equipment package for the patrol truck for \$74,523.

**16. PRIOR PERIOD ADJUSTMENT**

A prior period adjustment has been recorded effective January 1, 2015 as follows:

	Governmental
	Activities
Total net position as previously reported	<u>\$ 12,503,294</u>
Implementation of GASB Statement No. 68	342,976
Net position as restated	<u>\$ 12,846,270</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**Required Supplementary Information**

**Town of Lisbon  
Budgetary Comparison Schedule for the General Fund  
For the Year Ended December 31, 2015**

	Budgeted Amounts		Actual	Variances with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property taxes	\$ 2,252,080	\$ 2,252,080	\$ 2,252,427	\$ 347
Other taxes	114,945	114,945	100,347	(14,598)
Intergovernmental	481,907	481,907	523,460	41,553
Licenses, permits and fees	293,650	293,650	413,831	120,181
Fines and forfeits	76,300	76,300	76,450	150
Charges for services	1,186,560	1,186,560	1,144,081	(42,479)
Interest	5,000	5,000	10,748	5,748
Miscellaneous	56,900	56,900	86,551	29,651
<b>Total Revenues</b>	<b>4,467,342</b>	<b>4,467,342</b>	<b>4,607,895</b>	<b>140,553</b>
<b>Expenditures:</b>				
Current				
General government	662,821	662,821	761,177	(98,356)
Public safety	1,453,818	1,453,818	1,380,224	73,594
Public works	1,302,785	1,302,785	1,090,045	212,740
Sanitation	786,640	786,640	738,016	48,624
Recreation and education	288,478	288,478	170,889	117,589
<b>Total Expenditures</b>	<b>4,494,542</b>	<b>4,494,542</b>	<b>4,140,351</b>	<b>354,191</b>
Excess (deficiency) of revenues over expenditures	(27,200)	(27,200)	467,544	494,744
<b>Other Financing Sources (Uses):</b>				
Transfers in(out)	27,200	27,200	(590,285)	(617,485)
Proceeds from capital lease	-	-	9,478	9,478
<b>Total Other Financing Sources (Uses)</b>	<b>27,200</b>	<b>27,200</b>	<b>(580,807)</b>	<b>(608,007)</b>
Net change in fund balances	-	-	(113,263)	(113,263)
Fund balance-Beginning of year	2,318,379	2,318,379	2,318,379	-
Fund balance-End of year	<u>\$ 2,318,379</u>	<u>\$ 2,318,379</u>	<u>\$ 2,205,116</u>	<u>\$ (113,263)</u>

**Required Supplementary Information**

**Town of Lisbon**

**Schedule of Funding Progress and Employer Contributions  
Other Post Employment Benefits  
December 31, 2015**

**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>
1/1/2013	\$ -	\$ 125,179	\$ 125,179	0.00%	N/A	N/A
1/1/2014	\$ -	\$ 141,208	\$ 141,208	0.00%	N/A	N/A
1/1/2015	\$ -	\$ 132,861	\$ 132,861	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>
12/31/2013	\$ 9,437	\$ -	0.00%	\$ 59,135
12/31/2014	\$ 10,620	\$ -	0.00%	\$ 69,755
12/31/2015	\$ 9,822	\$ -	0.00%	\$ 79,577

**TOWN OF LISBON**  
**SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)**  
**WISCONSIN RETIREMENT SYSTEM**  
**AS OF THE MEASUREMENT DATE**

	December 31, 2014
Town's proportion of the net pension liability (asset)	0.00675308%
Town's proportionate share of the net pension liability (asset)	\$ (165,874)
Town's covered-employee payroll	\$ 804,079
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(20.63%)
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.74%

**TOWN OF LISBON  
SCHEDULE OF TOWN'S CONTRIBUTIONS  
WISCONSIN RETIREMENT SYSTEM  
FOR THE YEAR ENDED**

	<u>December 31, 2015</u>
Contractually required contributions	\$ 69,036
Contributions in relation to the contractually required contributions	\$ 69,036
Contribution deficiency (excess)	\$ -
Town's covered-employee payroll	\$ 917,335
Contributions as a percentage of covered-employee payroll	7.53%

**TOWN OF LISBON**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended December 31, 2015**

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**1. DEFINED BENEFIT PENSION PLAN**

Changes of Benefit Terms. There were no changes of benefit terms for any participating employer in WRS.

Changes of Assumptions. There were no changes in assumptions.

**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, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues:</b>				
Grants	\$ -	\$ -	\$ 44,088	\$ 44,088
Donations	-	-	23,751	23,751
Miscellaneous	-	-	194,745	194,745
Total Revenues	<u>-</u>	<u>-</u>	<u>308,852</u>	<u>308,852</u>
<b>Expenditures:</b>				
Current				
Capital outlay	500,000	500,000	368,238	131,762
Total Expenditures	<u>500,000</u>	<u>500,000</u>	<u>368,238</u>	<u>131,762</u>
Excess (deficiency) of revenues over expenditures	<u>(500,000)</u>	<u>(500,000)</u>	<u>(59,386)</u>	<u>440,614</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from debt	-	-	23,304	23,304
Transfers In	500,000	500,000	728,285	228,285
Total other financing sources(uses)	<u>500,000</u>	<u>500,000</u>	<u>751,589</u>	<u>251,589</u>
Net change in fund balances	-	-	692,203	692,203
Fund balance-Beginning of year	484,816	484,816	484,816	-
Fund balance-End of year	<u>\$ 484,816</u>	<u>\$ 484,816</u>	<u>\$ 1,177,019</u>	<u>\$ 692,203</u>

**Other Supplementary Information**

**Town of Lisbon  
Budgetary Comparison Schedule for the Debt Service Fund  
For the Year Ended December 31, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property taxes	\$ 1,233,106	\$ 1,233,106	\$ 1,233,106	\$ -
Interest	-	-	50	50
Total Revenues	<u>1,233,106</u>	<u>1,233,106</u>	<u>1,233,156</u>	<u>50</u>
<b>Expenditures:</b>				
Current				
Debt service	1,262,428	1,262,428	1,978,051	(715,623)
Total Expenditures	<u>1,262,428</u>	<u>1,262,428</u>	<u>1,978,051</u>	<u>(715,623)</u>
Excess (deficiency) of revenues over expenditures	<u>(29,322)</u>	<u>(29,322)</u>	<u>(744,895)</u>	<u>(715,573)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	-	-	(45,000)	(45,000)
Transfers in	26,700	26,700	-	(26,700)
Total other financing sources(uses)	<u>26,700</u>	<u>26,700</u>	<u>(45,000)</u>	<u>(71,700)</u>
Net change in fund balances	(2,622)	(2,622)	(789,895)	(787,273)
Fund balance-Beginning of year	1,114,006	1,114,006	1,114,006	-
Fund balance-End of year	<u>\$ 1,111,384</u>	<u>\$ 1,111,384</u>	<u>\$ 324,111</u>	<u>\$ (787,273)</u>

**Other Supplementary Information**

**Town of Lisbon  
Combining Balance Sheet  
Non-Major Governmental Funds  
December 31, 2015**

	<u>SPECIAL REVENUE FUNDS</u>				<u>CAPITAL PROJECTS</u>	Total Non- Major Governmental Funds
	<u>Library Fund</u>	<u>Park Fund</u>	<u>Building Fund</u>	<u>Fire Operations Fund</u>	<u>Sewer Study Fund</u>	
<b>ASSETS</b>						
Cash and Investments	\$ 11,340	\$ 66,254	\$ 77,927	\$ 75,232	\$ 104,927	\$ 335,680
Receivables:						
Accounts	-	3,863	-	9,954	-	13,817
Total Assets	<u>\$ 11,340</u>	<u>\$ 70,117</u>	<u>\$ 77,927</u>	<u>\$ 85,186</u>	<u>\$ 104,927</u>	<u>\$ 349,497</u>
<b>FUND BALANCES</b>						
Restricted	\$ 11,340	\$ 56,453	\$ 77,927	\$ 85,186	\$ 104,927	\$ 335,833
Assigned	-	13,664	-	-	-	13,664
Total Fund Balances	<u>11,340</u>	<u>70,117</u>	<u>77,927</u>	<u>85,186</u>	<u>104,927</u>	<u>349,497</u>
Total Liabilities and Fund Balances	<u>\$ 11,340</u>	<u>\$ 70,117</u>	<u>\$ 77,927</u>	<u>\$ 85,186</u>	<u>\$ 104,927</u>	<u>\$ 349,497</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, 2015**

	SPECIAL REVENUE FUNDS				CAPITAL PROJECTS	Total Nonmajor Governmental Funds
	Library Fund	Park Fund	Building Fund	Fire Operations Fund	Sewer Study Fund	
<b>REVENUES</b>						
Interest Income	\$ -	\$ 4	\$ 5	\$ 56	\$ 7	\$ 72
Donations	-	711	-	-	-	711
Miscellaneous Income	11,340	13,316	-	-	-	24,656
Total Revenues	<u>11,340</u>	<u>14,031</u>	<u>5</u>	<u>21,598</u>	<u>7</u>	<u>46,981</u>
<b>EXPENDITURES</b>						
Current:						
Culture, Recreation and Education	-	3,208	-	-	-	3,208
Total Expenditures	<u>-</u>	<u>3,208</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,208</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>11,340</u>	<u>10,823</u>	<u>5</u>	<u>21,598</u>	<u>7</u>	<u>43,773</u>
Net Change in Fund Balances	11,340	10,823	5	21,598	7	43,773
Fund Balances - Beginning	-	59,294	77,922	63,588	104,920	305,724
Fund Balances - Ending	<u>\$ 11,340</u>	<u>\$ 70,117</u>	<u>\$ 77,927</u>	<u>\$ 85,186</u>	<u>\$ 104,927</u>	<u>\$ 349,497</u>

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

**2011-2015 Tax Rolls**

	2011	2012	2013	2014	2015
State tax	\$ 184,537	\$ 175,376	\$ 172,964	\$ 178,979	\$ 183,583
County tax	2,186,581	2,175,491	2,186,039	2,496,817	2,514,840
Special District tax	44,000	43,000	44,000	44,000	44,000
Local tax	3,364,773	3,420,606	3,585,266	3,485,266	3,572,616
School tax:					
Local schools	11,160,070	11,085,720	10,742,705	10,543,963	10,705,125
Vocational school	1,360,736	1,344,074	1,340,969	410,378	410,786
<b>Total general property tax levy</b>	<b>18,300,697</b>	<b>18,244,267</b>	<b>18,071,943</b>	<b>17,159,403</b>	<b>17,430,950</b>
Special assessments and special charges:					
Noxious weeds	-	2,233	2,389	3,870	1,900
Garbage removal	723,980	748,394	779,022	812,916	801,729
Sewer capacity charge	33,200	32,959	-	-	-
Stormwater utility	201,362	201,605	242,631	229,343	229,820
Other	2,592	8,700	221	226	737
Delinquent utility charges	10,339	10,805	13,994	15,268	15,162
<b>Total special assessments and special charges</b>	<b>971,473</b>	<b>1,004,696</b>	<b>1,038,257</b>	<b>1,061,623</b>	<b>1,049,348</b>
Woodland land taxes	504	721	906	1,120	1,120
<b>Total tax rolls</b>	<b>\$ 19,272,674</b>	<b>\$ 19,249,684</b>	<b>\$ 19,111,106</b>	<b>\$ 18,222,146</b>	<b>\$ 18,481,418</b>
Assessed valuation	<u>\$ 1,138,212,411</u>	<u>\$ 1,144,606,242</u>	<u>\$ 1,021,284,391</u>	<u>\$ 1,032,535,430</u>	<u>\$ 1,049,102,042</u>
Equalized valuation	<u>\$ 1,087,393,700</u>	<u>\$ 1,033,412,700</u>	<u>\$ 1,019,198,300</u>	<u>\$ 1,054,644,000</u>	<u>\$ 1,081,769,100</u>
Ratio of assessment	<u>105%</u>	<u>111%</u>	<u>100%</u>	<u>98%</u>	<u>97%</u>