



Waukesha County, Wisconsin

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

December 31, 2017

TOWN OF LISBON
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INDEPENDENT AUDITOR'S REPORT

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, 2017, 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, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lisbon, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As noted in Note 8 to the financial statements, beginning net position of the governmental activities was increased by \$50,606. The increase was a result of an increase in capital assets of \$226,903 for assets written off the financial statements in prior years in error and an increase in accumulated depreciation of \$176,297 for depreciation not recognized in prior years.

Other Matters

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 information is 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.
Certified Public Accountants
Madison, Wisconsin
June 12, 2018

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Town of Lisbon
Statement of Net Position
December 31, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 5,770,470	\$ 182,136	\$ 5,952,606
Taxes Receivable	4,880,178	224,718	5,104,896
Accounts Receivable, Net	428,443	-	428,443
Prepaid Expenses	87,938	-	87,938
Total Current Assets	<u>11,167,029</u>	<u>406,854</u>	<u>11,573,883</u>
Capital Assets:			
Capital Assets	37,044,495	798,527	37,843,022
Less: Accumulated Depreciation	<u>(17,651,240)</u>	<u>(32,907)</u>	<u>(17,684,147)</u>
Net Capital Assets	<u>19,393,255</u>	<u>765,620</u>	<u>20,158,875</u>
Other Assets:			
Land Held for Resale	1,709,545	-	1,709,545
Capacity Entitlements - net of amortization	<u>1,211,364</u>	<u>-</u>	<u>1,211,364</u>
Total Other Assets	<u>2,920,909</u>	<u>-</u>	<u>2,920,909</u>
Total Assets	<u>33,481,193</u>	<u>1,172,474</u>	<u>34,653,667</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Outflows	443,007	-	443,007
Deferred Loss on Advance Refunding	<u>46,078</u>	<u>-</u>	<u>46,078</u>
Total Deferred Outflows of Resources	<u>489,085</u>	<u>-</u>	<u>489,085</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 33,970,278</u>	<u>\$ 1,172,474</u>	<u>\$ 35,142,752</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 273,261	\$ 198	\$ 273,459
Deposits Payable	195,584	-	195,584
Accrued Interest	121,053	-	121,053
Current Portion of Long-term Obligations	<u>1,750,957</u>	<u>-</u>	<u>1,750,957</u>
Total Current Liabilities	<u>2,340,855</u>	<u>198</u>	<u>2,341,053</u>
Noncurrent Liabilities:			
Noncurrent Portion of Long-term Obligations	12,148,021	-	12,148,021
OPEB Liability	101,955	-	101,955
Net Pension Liability	<u>56,447</u>	<u>-</u>	<u>56,447</u>
Total Noncurrent Liabilities	<u>12,306,423</u>	<u>-</u>	<u>12,306,423</u>
Total Liabilities	<u>14,647,278</u>	<u>198</u>	<u>14,647,476</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Outflows	178,703	-	178,703
Deferred Tax Levy	<u>4,873,772</u>	<u>224,718</u>	<u>5,098,490</u>
Total Deferred Inflows of Resources	<u>5,052,475</u>	<u>224,718</u>	<u>5,277,193</u>
NET POSITION			
Net Investment in Capital Assets	8,262,651	765,620	9,028,271
Unrestricted	<u>6,007,874</u>	<u>181,938</u>	<u>6,189,812</u>
Total Net Position	<u>14,270,525</u>	<u>947,558</u>	<u>15,218,083</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 33,970,278</u>	<u>\$ 1,172,474</u>	<u>\$ 35,142,752</u>

See accompanying notes to the basic financial statements.

Town of Lisbon
Statement of Activities
For the Year Ended December 31, 2017

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
Governmental Activities							
General Government	\$ 983,998	\$ 65,148	\$ 120,539	\$ -	\$ (798,311)		\$ (798,311)
Public Safety	1,884,785	975,792	54,067	-	(854,926)		(854,926)
Public Works	2,074,190	77,776	277,291	-	(1,719,123)		(1,719,123)
Sanitation	749,733	815,735	-	-	66,002		66,002
Recreation and Education	138,797	11,323	1,397	-	(126,077)		(126,077)
Interest and Fiscal Charges	328,744	-	-	-	(328,744)		(328,744)
Total Governmental Activities	<u>6,160,247</u>	<u>1,945,774</u>	<u>453,294</u>	<u>-</u>	<u>(3,761,179)</u>		<u>(3,761,179)</u>
Business-type Activities							
Storm Water	152,943	234,870	-	913	-	82,840	82,840
Total Business-type Activities	<u>152,943</u>	<u>234,870</u>	<u>-</u>	<u>913</u>	<u>-</u>	<u>82,840</u>	<u>82,840</u>
Total Government	<u>\$ 6,313,190</u>	<u>\$ 2,180,644</u>	<u>\$ 453,294</u>	<u>\$ 913</u>	<u>(3,761,179)</u>	<u>82,840</u>	<u>(3,678,339)</u>
General Revenues:							
Taxes:							
Property Taxes, levied for general purposes					2,502,731	-	2,502,731
Property Taxes, levied for debt service					1,351,120	-	1,351,120
Other Taxes					85,379	-	85,379
Interest and Investment Earnings					53,412	-	53,412
Miscellaneous					33,484	-	33,484
Transfers					12,200	(12,200)	-
Total General Revenues and Transfers					<u>4,038,326</u>	<u>(12,200)</u>	<u>4,026,126</u>
Special item - loss on disposal of asset					<u>(551,571)</u>	<u>-</u>	<u>(551,571)</u>
Change in Net Position					<u>(274,424)</u>	<u>70,640</u>	<u>(203,784)</u>
Net Position, beginning, as previously reported					14,494,343	876,918	15,371,261
Prior Period Adjustment - See Note 8					50,606	-	50,606
Net Position, beginning of year					<u>14,544,949</u>	<u>876,918</u>	<u>15,421,867</u>
Net Position, end of year					<u>\$ 14,270,525</u>	<u>\$ 947,558</u>	<u>\$ 15,218,083</u>

See accompanying notes to the basic financial statements.

**Town of Lisbon
Balance Sheet
Governmental Funds
December 31, 2017**

	<u>General Fund</u>	<u>Capital Projects - Equipment Acquisition</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 2,511,153	\$ 2,519,828	\$ 366,737	\$ 372,750	\$ 5,770,468
Receivables:					
Taxes	3,444,188	-	1,429,585	-	4,873,773
Delinquent Personal Property Taxes	6,405	-	-	-	6,405
Accounts, Net	398,201	30,242	-	-	428,443
Prepaid Expenses	87,938	-	-	-	87,938
Total Assets	<u>\$ 6,447,885</u>	<u>\$ 2,550,070</u>	<u>\$ 1,796,322</u>	<u>\$ 372,750</u>	<u>\$ 11,167,027</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 262,168	\$ 11,092	\$ -	\$ -	\$ 273,260
Deposits Payable	195,584	-	-	-	195,584
Total Liabilities	<u>457,752</u>	<u>11,092</u>	<u>-</u>	<u>-</u>	<u>468,844</u>
Deferred Inflows of Resources:					
Deferred Tax Levy	3,444,187	-	1,429,585	-	4,873,772
Total Deferred Inflows of Resources	<u>3,444,187</u>	<u>-</u>	<u>1,429,585</u>	<u>-</u>	<u>4,873,772</u>
Fund Balances:					
Nonspendable	94,343	-	-	-	94,343
Restricted	13,500	-	366,737	333,661	713,898
Committed	-	-	-	27,158	27,158
Assigned	132,138	2,538,978	-	11,931	2,683,047
Unassigned	2,305,965	-	-	-	2,305,965
Total Fund Balances	<u>2,545,946</u>	<u>2,538,978</u>	<u>366,737</u>	<u>372,750</u>	<u>5,824,411</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,447,885</u>	<u>\$ 2,550,070</u>	<u>\$ 1,796,322</u>	<u>\$ 372,750</u>	<u>\$ 11,167,027</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, 2017

Total fund balances, governmental funds \$ 5,824,411

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

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	443,007	
Deferred inflows of resources	<u>(178,703)</u>	
		264,304

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

Governmental capital assets	37,044,495	
Governmental accumulated depreciation	<u>(17,651,240)</u>	
		19,393,255

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	(1,465,947)	
Land held for resale	<u>1,709,545</u>	
		2,920,909

The net pension liability is not due and payable in the current period and, therefore, is not reported in the fund statements. (56,447)

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	(12,371,968)	
Premium on general obligation debt	(276,509)	
Contracts payable	(1,122,709)	
Loss on advanced refunding	46,078	
Accrued vacation and sick	(127,792)	
OPEB liability	(101,955)	
Accrued interest	(121,053)	
Rounding	<u>1</u>	
		(14,075,907)

Net Position of Governmental Activities in the Statement of Net Position \$ 14,270,525

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, 2017

	General Fund	Capital Projects - Equipment Acquisition	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property Taxes	\$ 2,502,731	\$ -	\$ 1,351,120	\$ -	\$ 3,853,851
Other Taxes	85,379	-	-	-	85,379
Intergovernmental	426,755	-	-	-	426,755
License and Permits	464,102	-	-	-	464,102
Fines, Forfeits and Penalties	57,991	-	-	-	57,991
Intergovernmental Charges for Services	79,743	51,395	-	20,301	151,439
Public Charges for Services	1,302,459	-	-	17,268	1,319,727
Interest Income	23,728	29,340	-	345	53,413
Donations	-	-	-	382	382
Miscellaneous Income	75,720	-	-	15,429	91,149
Total Revenues	<u>5,018,608</u>	<u>80,735</u>	<u>1,351,120</u>	<u>53,725</u>	<u>6,504,188</u>
EXPENDITURES					
Current:					
General Government	932,912	-	-	-	932,912
Public Safety	1,662,603	-	-	-	1,662,603
Public Works	912,981	-	-	31,118	944,099
Sanitation	749,733	-	-	-	749,733
Culture, Recreation, and Education	158,244	-	-	3,905	162,149
Capital Outlay	-	3,335,359	-	-	3,335,359
Debt Service					
Principal	-	-	1,211,543	-	1,211,543
Interest	-	-	327,475	-	327,475
Total Expenditures	<u>4,416,473</u>	<u>3,335,359</u>	<u>1,539,018</u>	<u>35,023</u>	<u>9,325,873</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>602,135</u>	<u>(3,254,624)</u>	<u>(187,898)</u>	<u>18,702</u>	<u>(2,821,685)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	22,682	614,109	-	-	636,791
Transfers Out	(569,469)	-	-	(55,122)	(624,591)
Total Other Financing Sources and Uses	<u>(546,787)</u>	<u>614,109</u>	<u>-</u>	<u>(55,122)</u>	<u>12,200</u>
Net Change in Fund Balances	55,348	(2,640,515)	(187,898)	(36,420)	(2,809,485)
Fund Balances - Beginning	2,490,598	5,179,493	554,635	409,170	8,633,896
Fund Balances - Ending	<u>\$ 2,545,946</u>	<u>\$ 2,538,978</u>	<u>\$ 366,737</u>	<u>\$ 372,750</u>	<u>\$ 5,824,411</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, 2017

Net change in fund balances - total governmental funds: \$ (2,809,485)

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	(1,256)
Other post employment benefits recorded when paid in governmental funds	(10,558)

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. (553,771)

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	3,312,545
Depreciation/Amortization expenses reported in the Statement of Activities	<u>(1,363,613)</u>
Amount by which capital outlays are greater (less) than depreciation in the current period	1,948,932

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	<u>1,214,702</u>
The decrease (increase) in long-term debt	1,214,702

In governmental funds, interest payments on outstanding debt are reported
as an expenditure when paid. In the Statement of Activities, interest is
reported as incurred.

Interest paid is greater (less) than interest accrued by	10,250
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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.

Change in the current year contributions after the measurement date	6,243
Actuarially determined change in net pension asset between years, with adjustments	<u>(79,481)</u>

Change in net position of governmental activities	<u><u>\$ (274,424)</u></u>
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**Town of Lisbon
Statement of Net Position
Proprietary Fund
December 31, 2017**

	<u>Storm Water</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 182,136
Receivables	
Taxes	224,718
Total Current Assets	406,854
Capital Assets:	
Land and Improvements	530,141
Other Capital Assets	268,386
Less Accumulated Depreciation	(32,907)
Net Capital Assets	765,620
Total Assets	\$ 1,172,474
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 199
Total Current Liabilities	199
Total Liabilities	199
DEFERRED INFLOWS OF RESOURCES	
Deferred Tax Levy	224,718
Total Deferred Inflows of Resources	224,718
NET POSITION	
Net Investment in Capital Assets	765,620
Unrestricted	181,937
Total Net Position	947,557
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 1,172,474

See accompanying notes to the basic financial statements.

Town of Lisbon
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended December 31, 2017

	<u>Storm Water</u>
OPERATING REVENUES	
Charges for Services	\$ 234,870
Total Operating Revenues	<u>234,870</u>
OPERATING EXPENSES	
Operation and Maintenance	144,542
Depreciation	8,402
Total Operating Expenses	<u>152,944</u>
Operating Income (Loss)	<u>81,926</u>
NON-OPERATING REVENUES (EXPENSES)	
Capital Grants and Contributions	913
Total Non-Operating Revenue (Expenses)	<u>913</u>
Income (Loss) Before Transfers	<u>82,839</u>
Transfers Out	<u>(12,200)</u>
Change in Net Position	70,639
Total Net Position - Beginning	876,918
Total Net Position - Ending	<u>\$ 947,557</u>

See accompanying notes to the basic financial statements.

**Town of Lisbon
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2017**

	Storm Water Utility
Cash Flows From:	
Operating Activities:	
Receipts from customers and users	\$ 234,870
Payments from other funds	(36,561)
Payments to employees	(38,232)
Payments to suppliers	(115,054)
Net cash - operating activities	45,023
Capital and Related Financing Activities	
Capital grants and contributions	172,650
Acquisition and construction of plant assets	(23,337)
Transfer out	(12,200)
Net cash - capital and related financing activities	137,113
Net change in cash and cash equivalents	182,136
Cash and cash equivalents-Beginning of year	-
Cash and cash equivalents-End of year	\$ 182,136
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating Income (Loss)	\$ 81,926
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	8,402
Changes in assets and liabilities:	
Taxes receivable	6,664
Accounts payable	(8,744)
Due to other funds	(36,561)
Deferred tax levy	(6,664)
Net cash provided (used) by operating activities	\$ 45,023

See accompanying notes to the basic financial statements.

**Town of Lisbon
Statement of Net Position
Fiduciary Fund
December 31, 2017**

	<u>Tax Agency</u>
ASSETS	
Cash and Investments	\$ 11,311,706
Property Taxes Receivable	<u>2,575,872</u>
Total Assets	<u>\$ 13,887,578</u>
LIABILITIES	
Due to Other Governments	<u>\$ 13,887,578</u>
Total Liabilities	<u>\$ 13,887,578</u>

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See accompanying notes to the basic financial statements.

TOWN OF LISBON
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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, 2017

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, 2017

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
- Compost 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, 2017

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, 2017

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 – 2017 tax roll:

Lien date and levy date	December 2017
Tax bills mailed	December 2017
Payment in full, or	January 31, 2018
First installment due	January 31, 2018
Second installment due to County	July 31, 2018
Tax settlement with County:	
Initial settlement	January 15, 2018
Second settlement	February 20, 2018
Final settlement	August 15, 2018
Personal property taxes in full	January 31, 2018
Tax deed by County - 2017	
delinquent real estate taxes	October 2020

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, 2017

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, 2017

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, 2017 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 \$132,652 has been made as of December 31, 2017.

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, 2017

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 charged 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	20-40 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. LAND HELD FOR RESALE

The government-wide financial statements include land held for resale. This represents the original cost of land purchased by the Town and held for resale to a developer.

I. 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.

TOWN OF LISBON
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. COMPENSATED ABSENCES (Continued)

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.

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.

J. 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.

K. 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 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, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. LONG-TERM OBLIGATIONS (Continued)

Bond Premiums, Discounts and Issuance Costs

In the government-wide and proprietary fund financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using a method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Debt issuance costs are recognized as an expense in the year in which the costs were incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and any related premiums or discounts are reported as other financing sources/uses. Issuance costs are reported as a debt service expenditure in the year in which the costs were incurred.

L. 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.

M. 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.

TOWN OF LISBON
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. EQUITY CLASSIFICATIONS (Continued)

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.

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.

N. 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.

TOWN OF LISBON
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

2. DEPOSITS AND INVESTMENTS

At December 31, 2017, the cash and investments consist of the following:

Deposits in Local Government Investment Pool	\$ 3,185,703
Deposits in Financial Institutions, Interest Bearing Accounts	<u>14,078,609</u>
	<u>\$ 17,264,312</u>

Cash and investments as of December 31, 2017 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 5,952,606
Fiduciary Funds:	
Cash and Investments	<u>11,311,706</u>
Total Cash and Investments	<u>\$ 17,264,312</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;
- (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 and the Wisconsin Aerospace Authority.

TOWN OF LISBON
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

2. DEPOSITS AND INVESTMENTS (Continued)

Wisconsin Local Government Investment Pool

The Wisconsin Local Government Investment Pool is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board (SWIB). The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. All investments are valued at amortized cost by the SIF for purposes of calculating earnings to each participant. Specifically, the SIF distributes income to pool participants monthly, based on their average daily share balance. Distributions include interest income based on stated rates (both paid and accrued), amortization of discounts and premiums on a straight-line basis, realized investment gains and losses calculated on an amortized cost basis, and investment expenses. This method does not distribute to participants any unrealized gains or losses generated by the pool's investments. Detailed information about the SIF is available in separately issued financial statements available at <http://www.doa.state.wi.us/Divisions/Budget-and-Finance/LGIP>. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2017, the fair value of the Town's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

SWIB may invest in obligations of the U.S. Treasury and its agencies, Commercial Paper, Bank Time Deposits/Certificates of Deposit, Bankers' Acceptances, Asset Backed Securities and Repurchase Agreements secured by the U.S. Government or its agencies and other instruments authorized under State Investment Fund investment guidelines.

Investment allocation in the LGIP as of December 31, 2017 was: 89.97% in U.S. Government Securities, 1.52% in Certificates of Deposit and Bankers' Acceptances and 8.51% in Commercial Paper and Corporate Notes. The Wisconsin State Treasurer updates the investment allocations on a monthly basis.

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.

The LGIP investments have an average maturity of no more than 35 days. Investment maturities as of December 31, 2017 are classified as follows:

<u>Investment Type</u>	<u>Market Value</u>	<u>Less than 6 Months</u>	<u>6 Months to 1 Year</u>	<u>More than 1 Year</u>
Certificates of Deposit	\$ 1,270,705	\$ 1,063,704	\$ 207,001	\$ -
Wisconsin Local Government Investment Pool	3,185,703	3,185,703	-	-
Total	<u>\$ 4,456,408</u>	<u>\$ 4,249,407</u>	<u>\$ 207,001</u>	<u>\$ -</u>

TOWN OF LISBON
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

2. DEPOSITS AND INVESTMENTS (Continued)

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.

The Town held investments in the local government investment pool, an external pool which is not rated.

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.

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

As of December 31, 2017, 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	<u>\$ 11,854,172</u>
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Concentration of Credit Risk

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

TOWN OF LISBON
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

3. CAPITAL ASSETS

Capital assets transactions for the governmental activities for the year ended December 31, 2017 are summarized below:

<u>Governmental Activities</u>	<u>Balance</u> 1/1/2017	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 12/31/2017
Land – non-depreciable	\$ 558,240	\$ -	\$ -	\$ 558,240
Construction Work in Progress – non depreciable	80,591	-	80,591	-
Buildings and improvements	2,824,948	-	-	2,824,948
Equipment and furnishings	* 5,442,235	77,925	123,854	5,396,306
Infrastructure	27,559,664	3,315,211	2,609,874	28,265,001
	<u>\$ 36,465,678</u>	<u>\$ 3,393,136</u>	<u>\$ 2,814,319</u>	<u>\$ 37,044,495</u>
Total Capital Assets				
Accumulated Depreciation				
Buildings and improvements	\$ 945,691	\$ 39,166	\$ -	\$ 984,857
Equipment and furnishings	* 2,104,391	323,673	103,938	2,324,126
Infrastructure	15,539,489	878,787	2,076,019	14,342,257
	<u>18,589,571</u>	<u>1,241,626</u>	<u>2,179,957</u>	<u>17,651,240</u>
Total Accumulated Depreciation				
Capital Assets Net of Depreciation	<u>\$ 17,876,107</u>	<u>\$ 2,151,510</u>	<u>\$ 634,362</u>	<u>\$ 19,393,255</u>

*Indicates beginning balance was restated. See Note 8 for additional information.

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 50,642
Public safety	148,462
Public works	1,020,604
Culture and Recreation	<u>21,918</u>
Total governmental activities depreciation expense	<u>\$ 1,241,626</u>

TOWN OF LISBON
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

3. CAPITAL ASSETS (Continued)

Capital asset transactions in the business-type activities for the year ended December 31, 2017 are summarized below:

	Balance 1/1/2017	Additions	Deletions	Balance 12/31/2017
<u>Storm Water</u>				
Capital assets not being depreciated				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Land and land rights	530,141	-	-	530,141
Total Capital Assets Not Being Depreciated	530,141	-	-	530,141
Capital assets being depreciated				
Plant	245,049	23,337	-	268,386
Total Capital Assets Being Depreciated	245,049	23,337	-	268,386
Total Capital Assets	775,190	23,337	-	798,527
Less: Accumulated depreciation	(24,505)	(8,402)	-	(32,907)
Net Storm Water Plant	\$ 750,685	\$ 14,935	\$ -	\$ 765,620

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, 2017, accumulated amortization was \$1,465,947.

TOWN OF LISBON
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>.

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, 2017

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>
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
2015	2.9	2
2016	0.5	(5)

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 \$69,036 in contributions from the employer.

Contribution rates as of December 31, 2017 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General	6.8%	6.8%
Protective with Social Security	6.8%	10.6%
Protective without Social Security	6.8%	14.9%

TOWN OF LISBON
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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, 2017, the Town reported a liability (asset) of \$56,447 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. 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, 2016, the Town's proportion was 0.00685204%, which was an increase of .00007821% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the Town recognized pension expense of \$146,510.

At December 31, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 21,535	\$ (177,616)
Changes of assumptions	59,049	-
Net difference between projected and actual earnings on pension plan investments	281,125	-
Changes in proportion and difference between Employer contributions and proportionate share of contributions	3,851	(1,087)
Employer contributions subsequent to the measurement date	77,446	-
Total	\$ 443,007	\$ (178,703)

TOWN OF LISBON
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

5. DEFINED BENEFIT PENSION PLAN (Continued)

\$77,446 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31:	Net Deferred Outflows (Inflows) of Resources
2018	\$ 76,079
2019	76,079
2020	51,706
2021	(17,083)
2022	76

Actuarial assumptions. The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2015
Measurement Date of Net Pension Liability (Asset):	December 31, 2016
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% - 5.6%
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. Starting in 2015, this item includes the impact of known Market Recognition Account deferred gains/losses on the liability for dividend payments.*

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 – 2014. The total pension liability for December 31, 2016 is based upon a roll-forward of the liability calculated from the December 31, 2015 actuarial valuation.

TOWN OF LISBON
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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:

Asset Allocation Targets and Expected Returns					
As of December 31, 2016					
<u>Core Fund Asset Class</u>	<u>Asset Allocation %</u>	<u>Destination Target Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>	
Global Equities	50 %	45 %	8.3 %	5.4 %	
Fixed Income	24.5	37	4.2	1.4	
Inflation Sensitive Assets	15.5	20	4.3	1.5	
Real Estate	8	7	6.5	3.6	
Private Equity/Debt	8	7	9.4	6.5	
Multi-Asset	4	4	6.6	3.7	
Total Core Fund	110	120	7.4	4.5	
<u>Variable Fund Asset Class</u>					
U.S. Equities	70	70	7.6	4.7	
International Equities	30	30	8.5	5.6	
Total Variable Fund	100	100	7.9	5	
New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%					
Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations					

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 3.78%. 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.

TOWN OF LISBON
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

5. DEFINED BENEFIT PENSION PLAN (Continued)

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:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
Town's proportionate share of the net pension liability (asset)	\$ 742,993	\$ 56,477	\$ (472,171)

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://etf.wi.gov/publications/cafr.htm>.

6. POSTRETIREMENT HEALTH CARE BENEFITS

Postretirement 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, 2017, the date of the latest actuarial valuation.

Retirees	-
Active	4
Number of participating employees	4

TOWN OF LISBON
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

6. POSTRETIREMENT HEALTH CARE BENEFITS (Continued)

The funded status of the OPEB benefit as of the most recent actuarial valuation date (January 1, 2017) is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/17	<u>\$0</u>	<u>\$136,738</u>	<u>\$136,738</u>	<u>0%</u>	<u>N/A</u>	<u>N/A</u>

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	1/1/2017
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%

TOWN OF LISBON
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

6. POSTRETIREMENT HEALTH CARE BENEFITS (Continued)

The current year employer contribution was as follows:

Year Ended December 31, 2017	Annual Required Contribution <u>\$10,558</u>	Actual Contribution <u>\$0</u>	Percent Contributed <u>0%</u>	Net OPEB Obligation (Asset) <u>\$101,955</u>
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7. LONG-TERM OBLIGATIONS

The long-term obligations activity for the year ended December 31, 2017 is summarized below:

	Balance Jan. 1, 2017	Additions	Payments/ Adjustments	Balance Dec. 31, 2017	Amounts due within 1 year
General obligation promissory notes	\$ 13,486,273	\$ -	\$ 1,114,305	\$ 12,371,968	\$ 1,635,150
Premium on promissory notes	276,509	-	-	276,509	-
Village of Sussex contracts payable	1,216,786	-	97,237	1,119,549	99,714
Capital Lease	6,319	-	3,159	3,160	3,160
Accumulated sick pay and vacation pay	126,536	1,256	-	127,792	12,933
	<u>\$ 15,112,423</u>	<u>\$ 1,256</u>	<u>\$ 1,214,701</u>	<u>\$ 13,898,978</u>	<u>\$ 1,750,957</u>

For governmental funds, liabilities for accumulated sick and vacation pay have generally been liquidated by the general fund.

TOWN OF LISBON
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

7. LONG-TERM OBLIGATIONS (Continued)

A. General Long-Term Debt

The full faith, credit and resources of the Town have been irrevocably pledged to collateralize all general obligation debt. Details of the general obligation debt payable at December 31, 2017 are as follows:

Date of Issue	Interest Rate	Principal Payable	Interest Payable	Original Amount	Balance 12/31/17	Amount due within 1 year
4/15/2008	3.95%	4/15/09-18	4/15 & 10/15	\$ 790,000	\$ 79,000	\$ 79,000
5/15/2009	3.38%	5/15/10-19	5/15 & 11/15	470,000	94,000	47,000
7/1/2010	3.05%	7/1/11-20	7/1 & 1/1	550,000	165,000	55,000
8/1/2011	3.15%	8/1/12-21	2/1 & 8/1	650,000	260,000	65,000
8/15/2012	2.00%	8/15/13-22	2/15 & 8/15	594,250	297,125	59,425
8/1/2013	2.00%	8/1/14-23	2/1 & 8/1	567,000	340,200	56,700
3/1/2014	2.90%	3/1/15-24	3/1 & 9/1	539,250	377,475	53,925
12/11/2014	.5-1.9%	3/1/15-21	3/1 & 9/1	2,115,000	1,065,000	255,000
1/1/2015	0.00%	2/15/15-22	N/A	23,304	14,510	2,913
7/7/2016	2.00%	3/1/18-26	3/1 & 9/1	8,060,000	8,060,000	800,000
7/26/2016	3.50%	3/15/17-36	3/15	1,700,000	1,619,658	61,473
					<u>\$ 12,371,968</u>	<u>\$ 1,535,436</u>

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, 2017, the amount of this commitment, which is recorded as a long-term contract payable, is \$1,119,549.

Details related to the contracts payable at December 31, 2017 are as follows:

Type	Date of Issue	Interest Rate	Principal Payable	Interest Payable	Original Amount	Balance 12/31/2017	Amount due within 1 year
Clean Water Fund							
Loans:	2007	2.55%	5/1/09-27	5/1&11/1	\$ 1,912,595	\$ 1,119,549	\$ 99,714
						<u>\$ 1,119,549</u>	<u>\$ 99,714</u>

TOWN OF LISBON
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

7. LONG-TERM OBLIGATIONS (Continued)

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,
2018	\$ 1,635,150	\$ 289,943	\$ 1,925,093	\$ 11,856,367
2019	1,590,842	257,338	1,848,180	10,265,525
2020	1,598,530	223,182	1,821,712	8,666,995
2021	1,588,644	187,815	1,776,459	7,078,351
2022	1,253,768	156,095	1,409,863	5,824,583
2023-2027	4,925,838	387,431	5,313,269	898,745
2028-2032	464,794	126,013	590,807	433,951
2033-2036	433,951	38,639	472,590	-
	<u>\$ 13,491,517</u>	<u>\$ 1,666,456</u>	<u>\$ 15,157,973</u>	

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, 2017 is summarized below:

Equalized valuation - 2017	<u>\$1,192,883,600</u>
Margin of indebtedness:	
5% of equalized valuation	\$ 59,644,180
Less: outstanding general obligation debt	<u>(12,371,968)</u>
Margin of indebtedness	<u>\$ 47,272,212</u>

Interest expenditures on long-term debt during the year were \$327,475.

D. Advance Refunding

On December 11, 2014, the Town issued \$2,115,000 of G.O. Refunding Bonds. A portion of the bond proceeds are being 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.

TOWN OF LISBON
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

7. LONG-TERM OBLIGATIONS (Continued)

D. Advance Refunding (Continued)

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. Total capital lease principal payments for the year ended December 31, 2017 were \$2,913.

Future minimum lease payments are as follows:

2018	\$ 3,160
Total	<u>\$ 3,160</u>

8. NET POSITION AND GOVERNMENTAL FUND BALANCES

Net position reported on the government-wide statement of net position as of December 31, 2017 includes the following:

Governmental Activities:

Net Investment in Capital Assets	
Capital Assets, Net	\$ 19,393,255
Less: Long-Term Debt	(12,375,128)
Plus: Unspent Debt Proceeds	1,244,524
Total Net Investment in Capital Assets	<u>8,262,651</u>
Unrestricted	6,007,874
Total Governmental Activities Net Position	<u>\$ 14,270,525</u>

Business-type Activities:

Capital assets, net	\$ 765,620
Total Net Investment in Capital Assets	<u>765,620</u>
Unrestricted	181,938
Total Governmental Activities Net Position	<u>\$ 947,558</u>

TOWN OF LISBON
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

8. NET POSITION AND GOVERNMENTAL FUND BALANCES (Continued)

Governmental fund balances reported on the governmental funds balance sheet at December 31, 2017 include the following:

	Major Funds			Non-major Funds	Total
	General	Capital Projects	Debt Service	Governmental Funds	
Nonspendable:					
Delinquent personal property taxes	\$ 6,405	\$ -	\$ -	\$ -	\$ 6,405
Prepaid expenses	87,938	-	-	-	87,938
Total Nonspendable	94,343	-	-	-	94,343
Restricted:					
Wastewater treatment study	-	-	-	104,937	104,937
Library	-	-	-	10,710	10,710
Park - impact fees	-	-	-	22,907	22,907
Park - other	-	-	-	34,352	34,352
Building	-	-	-	37,824	37,824
Fire - impact fees	-	-	-	57,133	57,133
Fire - other	-	-	-	65,798	65,798
Holding tank fund	13,500	-	-	-	13,500
Debt service	-	-	366,737	-	366,737
Total Restricted	13,500	-	366,737	333,661	713,898
Committed:					
Compost	-	-	-	27,158	27,158
Total Committed	-	-	-	27,158	27,158
Assigned:					
Vehicles, equipment, and other	132,138	217,096	-	-	349,234
Buildings	-	244,219	-	-	244,219
Road projects	-	2,077,663	-	-	2,077,663
9/11 memorial	-	-	-	11,931	11,931
Total Assigned	132,138	2,538,978	-	11,931	2,683,047
Unassigned:	2,305,965	-	-	-	2,305,965
Total	\$ 2,545,946	\$ 2,538,978	\$ 366,737	\$ 372,750	\$ 5,824,411

TOWN OF LISBON
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

8. NET POSITION AND GOVERNMENTAL FUND BALANCES (Continued)

Net position for the governmental activities on the Statement of Net Position has been restated as follows:

	Governmental Activities
Net Position - As Stated December 31, 2016	\$ 14,494,343
Capital assets written off in error	226,903
Accumulated depreciation adjustment	(176,297)
Net Position - As restated January 1, 2017	\$ 14,544,949

9. TRANSFERS

The following is a schedule of interfund transfers for the year ended December 31, 2017:

Fund Transferred To:	Fund Transferred From:	Amount	Purpose
General Fund	Library	\$ 22,682	Library settlement
Capital Projects	General	107,100	Public safety equipment
Capital Projects	General	311,369	Road paving
Capital Projects	General	51,000	Public works equipment
Capital Projects	General	50,000	Other capital projects
Capital Projects	General	50,000	Buildings
Capital Projects	Park	7,440	Equipment
Capital Projects	Stormwater	12,200	Capital projects
Capital Projects	Building	25,000	Building remodeling
Amount per governmental fund statement		\$ 636,791	
less elimination between governmental funds		(624,591)	
Transfers per government-wide statements		\$ 12,200	

10. RISK MANAGEMENT

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

TOWN OF LISBON
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

11. 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 National Resources (DNR).

Over the years, the Town has received approximately \$350,000 in grant funds for these studies. At December 31, 2017, 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, 2017, the future development of planning area No. 2 was uncertain.

12. 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, 2017, 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.

13. SUBSEQUENT EVENTS

In 2018, the Town approved various equipment purchases. Total costs of the equipment are expected to be approximately \$121,000.

In 2018, the Town approved various road reconstruction projects. Total costs of these projects are expected to be \$1,419,300.

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REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information

**Town of Lisbon
Budgetary Comparison Schedule - General Fund
For the Year Ended December 31, 2017**

	Budgeted Amounts		Actual	Variances with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 2,501,957	\$ 2,501,957	\$ 2,502,731	\$ 774
Other taxes	100,300	100,300	85,379	(14,921)
Intergovernmental	415,512	415,512	426,755	11,243
Licenses, permits and fees	408,233	408,233	464,102	55,869
Fines and forfeits	86,000	86,000	57,991	(28,009)
Public charges for services	1,193,443	1,193,443	1,302,459	109,016
Intergovernmental charges for services	104,600	104,600	79,743	(24,857)
Interest	5,000	5,000	23,728	18,728
Miscellaneous	53,000	53,000	75,720	22,720
Total Revenues	4,868,045	4,868,045	5,018,608	150,563
Expenditures:				
Current				
General government	1,154,721	1,154,721	932,912	221,809
Public safety	1,733,243	1,733,243	1,662,603	70,640
Public works	925,726	925,726	912,981	12,745
Sanitation	746,293	746,293	749,733	(3,440)
Recreation and education	258,062	258,062	158,244	99,818
Total Expenditures	4,818,045	4,818,045	4,416,473	401,572
Excess (deficiency) of revenues over expenditures	50,000	50,000	602,135	552,135
Other Financing Sources (Uses):				
Transfers in (out)	(50,000)	(50,000)	(546,787)	(496,787)
Total Other Financing Sources (Uses)	(50,000)	(50,000)	(546,787)	(496,787)
Net change in fund balances	-	-	55,348	55,348
Fund balance-Beginning of year	2,490,598	2,490,598	2,490,598	-
Fund balance-End of year	\$ 2,490,598	\$ 2,490,598	\$ 2,545,946	\$ 55,348

Required Supplementary Information

Town of Lisbon

**Schedule of Funding Progress and Employer Contributions
Other Post Employment Benefits
December 31, 2017**

Other Post Employment Benefits

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2015	\$ -	\$ 132,861	\$ 132,861	0.00%	N/A	N/A
1/1/2016	\$ -	\$ 155,332	\$ 155,332	0.00%	N/A	N/A
1/1/2017	\$ -	\$ 136,738	\$ 136,738	0.00%	N/A	N/A

Schedule of Employer Contributions

Fiscal Year End	Annual Required Contribution (ARC)	Contribution	Percentage of ARC Contributed	Net OPEB Obligation (Asset)
12/31/2015	\$ 9,822	\$ -	0.00%	\$ 79,577
12/31/2016	\$ 11,820	\$ -	0.00%	\$ 91,397
12/31/2017	\$ 10,558	\$ -	0.00%	\$ 101,955

**TOWN OF LISBON
WISCONSIN RETIREMENT SYSTEM
December 31, 2017**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
AS OF THE MEASUREMENT DATE
Last 10 Fiscal Years**

Year ended December 31,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2016	0.00685204%	\$ 56,477	\$ 902,432	6.26%	99.12%
2015	0.00677383%	110,073	917,335	12.00%	98.20%
2014	0.00675308%	(165,829)	804,079	(20.62%)	102.74%

**SCHEDULE OF TOWN'S CONTRIBUTIONS
FOR THE YEAR ENDED
Last 10 Fiscal Years**

Year ended December 31,	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered- employee payroll
2017	\$ 70,893	(70,893)	\$ -	\$ 907,525	7.81%
2016	66,397	(66,397)	-	902,432	7.36%
2015	69,036	(69,036)	-	917,335	7.53%

TOWN OF LISBON
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2017

1. EXCESS OF GENERAL FUND EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2017, 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.

2. DEFINED BENEFIT PENSION PLAN

Governmental Accounting Standards Board Statement No. 68 requirements have been implemented prospectively, therefore, the illustrations do not present similar information for the 8 preceding years.

Change of Benefit Terms

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

Changes of Assumptions

Rates used in mortality tables were updated based on actual WRS experience and adjusted for future mortality improvements using the MP-2015 fully generational improvement scale (multiplied by 50%). The mortality table was adopted by the Board in connection with the 2012-2014 Experience Study. This assumption is used to measure the probabilities of participants dying before retirement and the probabilities of each benefit payment being made after retirement.

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OTHER SUPPLEMENTARY INFORMATION

Other Supplementary Information

**Town of Lisbon
Budgetary Comparison Schedule - Capital Projects Fund - Equipment Acquisition
For the Year Ended December 31, 2017**

	Budgeted Amounts		Actual (GAAP Basis)	Variances with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental Charges for services	\$ 51,395	\$ 51,395	\$ 51,395	\$ -
Interest	-	-	29,340	29,340
Total Revenues	-	-	80,735	80,735
Expenditures:				
Current				
Capital outlay	671,109	671,109	3,335,359	(2,664,250)
Total Expenditures	671,109	671,109	3,335,359	(2,664,250)
 Excess (deficiency) of revenues over expenditures	 (671,109)	 (671,109)	 (3,254,624)	 (2,583,515)
Other Financing Sources (Uses):				
Transfers In	564,109	564,109	614,109	50,000
Total other financing sources(uses)	564,109	564,109	614,109	50,000
 Net change in fund balances	 (107,000)	 (107,000)	 (2,640,515)	 (2,533,515)
Fund balance-Beginning of year	5,179,493	5,179,493	5,179,493	-
Fund balance-End of year	\$ 5,072,493	\$ 5,072,493	\$ 2,538,978	\$ (2,533,515)

Other Supplementary Information

**Town of Lisbon
Budgetary Comparison Schedule -Debt Service Fund
For the Year Ended December 31, 2017**

	Budgeted Amounts		Actual (GAAP Basis)	Variances with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 1,351,120	\$ 1,351,120	\$ 1,351,120	\$ -
Total Revenues	<u>1,351,120</u>	<u>1,351,120</u>	<u>1,351,120</u>	<u>-</u>
Expenditures:				
Current				
Debt service	1,536,500	1,536,500	1,539,018	(2,518)
Total Expenditures	<u>1,536,500</u>	<u>1,536,500</u>	<u>1,539,018</u>	<u>(2,518)</u>
Excess (deficiency) of revenues over expenditures	<u>(185,380)</u>	<u>(185,380)</u>	<u>(187,898)</u>	<u>(2,518)</u>
Net change in fund balances	(185,380)	(185,380)	(187,898)	(2,518)
Fund balance-Beginning of year	554,635	554,635	554,635	-
Fund balance-End of year	<u>\$ 369,255</u>	<u>\$ 369,255</u>	<u>\$ 366,737</u>	<u>\$ (2,518)</u>

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Other Supplementary Information

Town of Lisbon
 Combining Balance Sheet
 Non-Major Governmental Funds
 December 31, 2017

	SPECIAL REVENUE FUNDS					CAPITAL PROJECTS	Total Non-Major Governmental Funds
	Library Fund	Park Fund	Building Fund	Fire Operations Fund	Compost Fund	Sewer Study Fund	
ASSETS							
Cash and Investments	\$ 10,710	\$ 69,190	\$ 37,824	\$ 122,931	\$ 27,158	\$ 104,937	\$ 372,750
Total Assets	<u>\$ 10,710</u>	<u>\$ 69,190</u>	<u>\$ 37,824</u>	<u>\$ 122,931</u>	<u>\$ 27,158</u>	<u>\$ 104,937</u>	<u>\$ 372,750</u>
FUND BALANCES							
Restricted	\$ 10,710	\$ 57,259	\$ 37,824	\$ 122,931	\$ -	\$ 104,937	\$ 333,661
Committed	-	-	-	-	27,158	-	27,158
Assigned	-	11,931	-	-	-	-	11,931
Total Fund Balances	<u>10,710</u>	<u>69,190</u>	<u>37,824</u>	<u>122,931</u>	<u>27,158</u>	<u>104,937</u>	<u>372,750</u>
Total Liabilities and Fund Balances	<u>\$ 10,710</u>	<u>\$ 69,190</u>	<u>\$ 37,824</u>	<u>\$ 122,931</u>	<u>\$ 27,158</u>	<u>\$ 104,937</u>	<u>\$ 372,750</u>

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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, 2017

	SPECIAL REVENUE FUNDS					CAPITAL PROJECTS	Total Nonmajor Governmental Funds
	Library Fund	Park Fund	Building Fund	Fire Operations Fund	Compost Fund	Sewer Study Fund	
REVENUES							
Public Charges for Services	\$ -	\$ -	\$ 1,890	\$ -	\$ 15,378	\$ -	\$ 17,268
Intergovernmental Charges for Services	-	-	-	-	20,301	-	20,301
Interest Income	-	-	-	345	-	-	345
Donations	-	382	-	-	-	-	382
Miscellaneous Income	10,710	4,719	-	-	-	-	15,429
Total Revenues	<u>10,710</u>	<u>5,101</u>	<u>1,890</u>	<u>345</u>	<u>35,679</u>	<u>-</u>	<u>53,725</u>
EXPENDITURES							
Current:							
Public Works	-	-	-	-	31,118	-	31,118
Culture, Recreation and Education	-	3,905	-	-	-	-	3,905
Total Expenditures	<u>-</u>	<u>3,905</u>	<u>-</u>	<u>-</u>	<u>31,118</u>	<u>-</u>	<u>35,023</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>10,710</u>	<u>1,196</u>	<u>1,890</u>	<u>345</u>	<u>4,561</u>	<u>-</u>	<u>18,702</u>
OTHER FINANCING SOURCES (USES)							
Transfers Out	<u>(22,682)</u>	<u>(7,440)</u>	<u>(25,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(55,122)</u>
Total Other Financing Sources and Uses	<u>(22,682)</u>	<u>(7,440)</u>	<u>(25,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(55,122)</u>
Net Change in Fund Balances	(11,972)	(6,244)	(23,110)	345	4,561	-	(36,420)
Fund Balances - Beginning	22,682	75,434	60,934	122,586	22,597	104,937	409,170
Fund Balances - Ending	<u>\$ 10,710</u>	<u>\$ 69,190</u>	<u>\$ 37,824</u>	<u>\$ 122,931</u>	<u>\$ 27,158</u>	<u>\$ 104,937</u>	<u>\$ 372,750</u>

Other Supplementary Information

**Town of Lisbon
Comparative Schedule of Property Taxes Levied
and Assessed and Equalized Valuations**

2013-2017 Tax Rolls

	2013	2014	2015	2016	2017
State tax	\$ 172,964	\$ 178,979	\$ 183,583	\$ 197,677	\$ -
County tax	2,186,039	2,496,817	2,514,840	2,651,448	2,644,541
Special District tax	44,000	44,000	44,000	44,000	44,000
Local tax	3,585,266	3,485,266	3,572,616	3,853,079	4,049,921
School tax:					
Local schools	10,742,705	10,543,963	10,705,125	11,029,999	10,746,148
Vocational school	1,340,969	410,378	410,786	429,100	439,646
Total general property tax levy	18,071,943	17,159,403	17,430,950	18,205,303	17,924,256
Special assessments and special charges:					
Noxious weeds	2,389	3,870	1,900	1,600	1,500
Garbage removal	779,022	812,916	801,729	804,935	818,675
Stormwater utility	242,631	229,343	229,820	231,382	224,718
Other	221	226	737	-	-
Delinquent utility charges	13,994	15,268	15,162	17,389	15,799
Total special assessments and special charges	1,038,257	1,061,623	1,049,348	1,055,306	1,060,692
Woodland land taxes	906	1,120	1,120	1,120	1,120
Total tax rolls	\$ 19,111,106	\$ 18,222,146	\$ 18,481,418	\$ 19,261,729	\$ 18,986,068
Assessed valuation	\$ 1,021,284,391	\$ 1,032,535,430	\$ 1,049,102,042	\$ 1,062,244,111	\$ 1,076,970,435
Equalized valuation	\$ 1,019,198,300	\$ 1,054,644,000	\$ 1,081,769,100	\$ 1,164,817,900	\$ 1,192,883,600
Ratio of assessment	100%	98%	97%	91%	90%