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## Town of Standish Maine Financial Report 2017

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# **Town of Standish**



Annual Financial Statements  
For the Year Ended June 30, 2017

Independently Audited By

**Berry · Talbot · Royer**  
CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditor's Report

Town Council and Manager  
Town of Standish, Maine

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Standish, Maine as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

The Town's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Standish, Maine as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 – 14 and 37 – 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Standish, Maine's basic financial statements. Schedules 2 through 12 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Schedules 2 through 12 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Schedules 2 through 12 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Berry Talbot Royer  
Certified Public Accountants  
Falmouth, Maine  
November 21, 2017



# Town of Standish

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## Management Discussion and Analysis

The Town of Standish (the Town) provides this Management Discussion and Analysis to present additional information to the readers of the Town's basic financial statements. This narrative overview and analysis of the financial activities of the Town is for the fiscal year ended June 30, 2017. Readers are encouraged to consider this information in conjunction with the additional information that is furnished in the Town's basic financial statements, required supplementary information, and other supplementary information.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's financial statements. The Town's basic financial statements include three components: 1) Government-wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Financial Statements. This report also contains required supplementary information that provides budgetary comparisons with actual results. The components of the financial statements are described in the following sections.

### Basic Financial Statements

The basic financial statements include two types of financial statements that present different views of the Town – the Government-wide Financial Statements and the Fund Financial Statements. The Notes to the Basic Financial Statements supplement the financial statement information and clarify line items that are part of the financial statements.

#### *Government-wide Financial Statements*

The Government-wide Financial Statements provide a broad view of the Town's operations in a manner similar to a private sector business. The statements provide both short-term and long-term information about the Town's financial position, which assists in assessing the Town's economic condition at the end of the fiscal year. These are prepared using the economic resources measurement focus and the accrual basis of accounting. This basically means they follow methods that are similar to those used by most businesses. They take into account all revenues and expenses connected with the fiscal year even if cash involved has not been received or paid. The Government-wide Financial Statements include two statements:

- The *Statement of Net Position* presents all of the government's assets, liabilities, and deferred inflows of resources, with the difference between total assets and the sum of total liabilities and total deferred inflows of resources reported as total net position. Over time, increases or decreases in the Town's net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.
- The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the Town.

Both of the above financial statements present the net position and activities of *governmental activities*. Governmental activities are those activities that are mostly supported by taxes and intergovernmental revenues (federal and state grants), and are the only major category of activities carried on by the Town.

#### *Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Fund Financial Statements focus on individual parts of the Town government, reporting the Town's operations in more detail than the Government-wide Financial Statements. The Town maintains only two categories of funds: governmental funds and fiduciary funds. It is important to note that these fund categories use different accounting approaches and should be interpreted differently.

#### Governmental Funds

All of the basic services provided by the Town are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements. However, unlike the Government-wide Financial Statements, the Governmental Fund Financial Statements focus on near term inflows and outflows of spendable resources. They also focus on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near term financing requirements. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this approach, revenues are recorded when cash is received or when susceptible to accrual (i.e., measurable and available to liquidate liabilities of the current period). Expenditures are generally recorded when liabilities are incurred, except for those related to long-term liabilities, which are recorded when due and payable. These statements provide a detailed short term view of the Town's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the Town.

Because the focus of governmental funds is narrower than that of the Government-wide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-wide Financial Statements. By doing so, readers may better understand the long term impact of the government's near term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The Town presents three columns in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances. The Town's major governmental funds are the General Fund and the 2017 Capital Projects Fund. All non-major governmental funds are combined in the "Other Governmental Funds" column on these statements.

#### Fiduciary Funds

These funds are used to account for resources held for the benefit of parties outside the Town government. Fiduciary funds are not reflected in the Government-wide Financial Statements because the resources of these funds are not available to support the Town's own programs.

The Town's sole fiduciary fund is an Agency Fund that accounts for money held and administered by the Town on behalf of third parties.

### Current Year Financial Highlights

- The Town's property values increased in taxable valuation from \$998,730,658 to \$1,004,708,939, an overall increase of \$5,978,281 – an increase of just under 0.6%.
- The Town's mil-rate increased from \$12.79 in fiscal year 2016 to \$12.82 in fiscal year 2017, an increase of \$0.03 per thousand.
- The Town's assets exceeded its liabilities and deferred inflows of resources by \$32,509,365 as of the end of the fiscal year. This year's total net position includes an unrestricted portion totaling \$2,820,228 (a decrease from prior year of \$82,447), which may be used to meet the Town's ongoing obligations to employees, citizens, and creditors.
- The Town's operations for this year resulted in a decrease in net position of \$844,621. The Town's net expenses of \$16,381,925 were not completely offset by general revenues of \$15,537,304.
- Total governmental activities' expenses in fiscal year 2017 were up by \$1,483,559 from fiscal year 2016. Also, total governmental activities' revenues in fiscal year 2017 were up by \$53,346 from fiscal year 2016.
- In the General Fund, the Town's unassigned fund balance decreased by \$90,294 from June 30, 2016 to June 30, 2017. This is mainly attributable to a combination of a \$92,501 increase from current year activity, and an increase transferring in \$3,041 from other funds.
- It is the policy of the Town to maintain unassigned fund balance in the general fund at a range between two twelfths and three twelfths of the approved appropriation for the municipal budget or 16.67% to 25.00%. For fiscal year 2017, the original approved appropriations totaled \$17,129,752 rendering a minimum target level of \$2,854,959. At year end, the unassigned fund balance of \$2,922,835 was \$67,876 above this target level, or 17.06%.
- At the close of the current fiscal year, the Town's General Fund's unassigned fund balance as a percentage of the General Fund's expenditures for the fiscal year was 17.53% – down from 18.67% in the prior year.
- The Town's total bonded and other long-term debt increased by \$565,852 during the current fiscal year. Current year debt issues were \$1,455,395 while debt repayments were \$889,543.



### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's net position totaled \$32.5 million at the end of fiscal year 2017, compared to \$33.4 million at the end of fiscal year 2016.

**Table A**  
Town of Standish  
Condensed Statement of Net Position  
As of June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>	<u>\$ Change</u>	<u>% Change</u>
Current assets	\$ 6,694,241	\$ 6,638,255	\$ 55,986	0.8%
Capital assets, net	<u>32,581,409</u>	<u>32,572,209</u>	<u>9,200</u>	0.0%
Total assets	39,275,650	39,210,464	65,186	0.2%
Current liabilities	1,584,972	1,252,963	332,009	26.5%
Long-term liabilities	<u>5,175,874</u>	<u>4,591,632</u>	<u>584,242</u>	12.7%
Total liabilities	6,760,846	5,844,595	916,251	15.7%
Deferred inflows of resources	<u>5,439</u>	<u>11,883</u>	<u>(6,444)</u>	-54.2%
Net investment in capital assets	27,952,229	28,748,072	(795,843)	-2.8%
Restricted	1,478,734	1,703,239	(224,505)	-13.2%
Unrestricted	<u>3,078,402</u>	<u>2,902,675</u>	<u>175,727</u>	6.1%
Total net position	<u>\$32,509,365</u>	<u>\$33,353,986</u>	<u>\$ (844,621)</u>	-2.5%

**Table B**  
Town of Standish  
Condensed Statement of Activities  
For the Years Ended June 30, 2017 and 2016

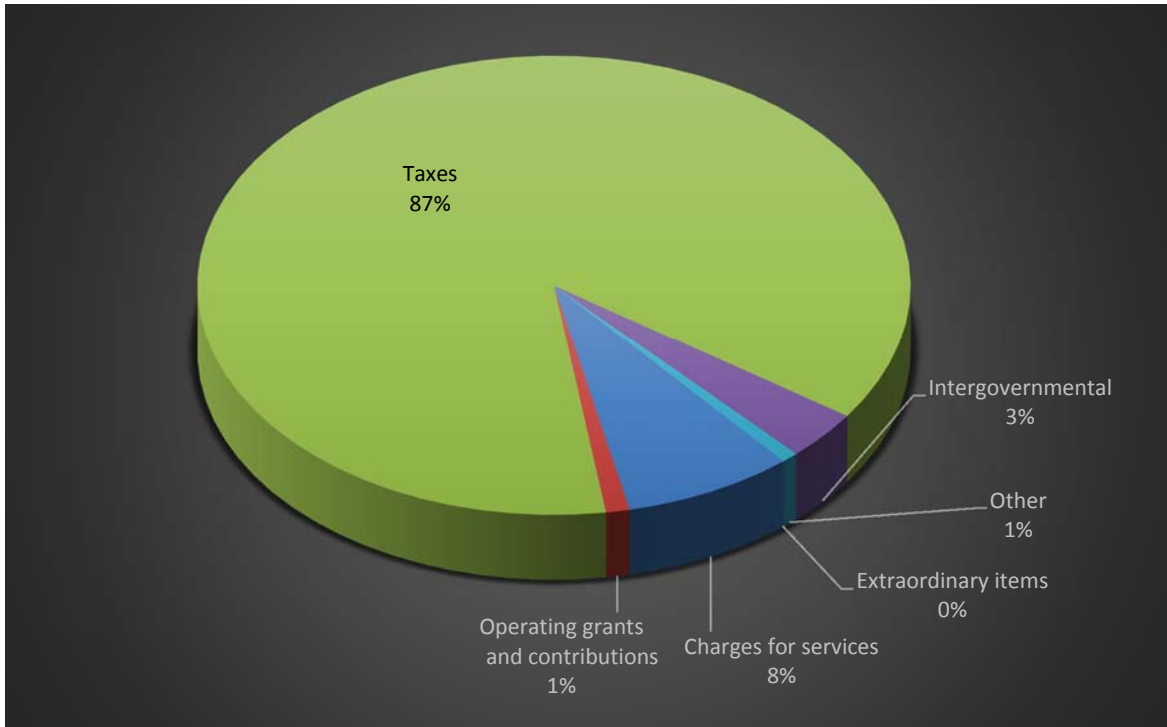
	2017	2016	\$ Change	% Change
Charges for services	\$ 1,312,649	\$ 1,243,368	\$ 69,281	5.6%
Operating grants and contributions	<u>182,520</u>	<u>390,268</u>	<u>(207,748)</u>	-53.2%
Total program revenues	1,495,169	1,633,636	(138,467)	-8.5%
Taxes	14,814,806	14,604,035	210,771	1.4%
Intergovernmental	591,077	527,235	63,842	12.1%
Other	<u>131,421</u>	<u>140,884</u>	<u>(9,463)</u>	-6.7%
Total general revenues	15,537,304	15,272,154	265,150	1.7%
Extraordinary items	<u>-</u>	<u>73,337</u>	<u>(73,337)</u>	N/A
Total revenues	17,032,473	16,979,127	53,346	0.3%
General government	1,346,971	1,155,981	190,990	16.5%
Public safety	1,845,614	1,614,714	230,900	14.3%
General assistance	28,744	32,263	(3,519)	-10.9%
Public works	3,157,397	2,371,337	786,060	33.1%
Community service	449,751	374,563	75,188	20.1%
Capital outlay	6,710	1,322	5,388	407.6%
Benefits and insurance	738,831	687,037	51,794	7.5%
Fixed charges	10,261,884	10,115,590	146,294	1.4%
Overlay and bad debt	<u>41,192</u>	<u>40,728</u>	<u>464</u>	1.1%
Total expenses	<u>17,877,094</u>	<u>16,393,535</u>	<u>1,483,559</u>	9.0%
Change in net position	<u>\$ (844,621)</u>	<u>\$ 585,592</u>	<u>\$ (1,430,213)</u>	-244.2%

Overall, total revenues were up in fiscal year 2017 compared to fiscal year 2016 by just under 2%. Most of this increase came from property and excise taxes. Total expenses was up by 9.0%. This disparity led to a decrease in net position of \$844,621, compared to 2016's results – a \$585,592 increase in net position.

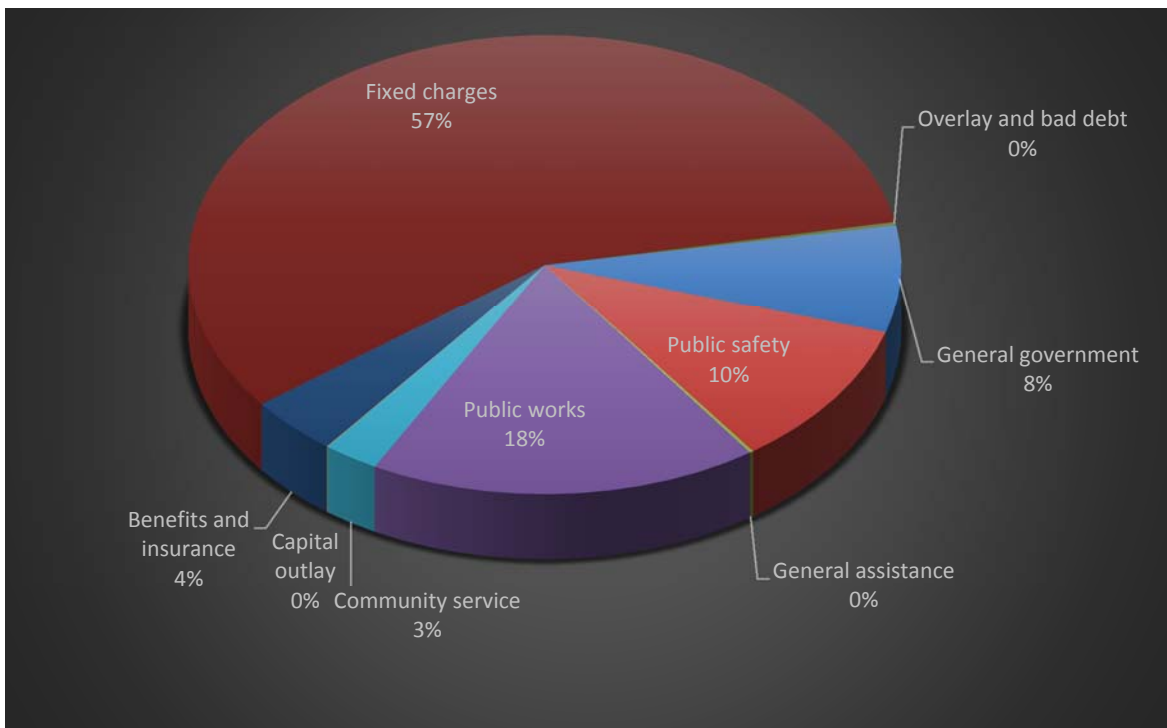
Chart A on the following page shows the relative sizes of revenues based on their source. The largest source of revenues is, of course, taxes at 87%, followed by charges for services at 8%.

Chart B on the following page shows the relative sizes of expenses based on the program. Fixed charges, which includes education, county tax, and debt interest, takes up the largest share of expenses at 57%. Public works is second, consuming 18% of expenses.

**Chart A**  
Revenues by Source



**Chart B**  
Expenses by Program



## Analysis of the Town's Governmental Funds

As noted earlier, the Town of Standish uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Town's governmental funds is on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's financial position at the end of the fiscal year.

### General Fund

The General Fund's net change in fund balance for the year was an increase of \$95,542, compared to a fiscal year 2016 increase of \$664,961. The unassigned fund balance had a net decrease for the year of \$90,294, compared to a fiscal year 2016 increase of \$422,929. The main reason for the current year decrease in the unassigned fund balance was expenditures being over revenues by \$92,501.

As noted in the financial highlights section, the General Fund's unassigned fund balance ended the fiscal year at \$67,876 above the minimum target level, as determined by Town policy.

Of the other components of the General Fund's fund balance, the most significant changes were in the bond levelization reserve. The bond levelization reserve (a committed fund balance) increased by \$60,967 – a combination of setting aside \$60,352 in fund balance to offset future debt service costs and \$615 in interest income on reserve monies.

Other significant changes in the General Fund's fund balance components include a \$24,262 decrease in nonspendable fund balance as result of decreases in inventories and prepaid expenses from the prior year, and an increase of \$153,416 in the assigned fund balance as a result of carrying forward to fiscal year 2017 less unexpended appropriations than had been carried forward into fiscal year 2016, and the Town increasing its budgeted deficit from \$350,000 for fiscal year 2016 to \$500,000 for fiscal year 2017.

### 2017 Capital Projects Fund

The 2017 Capital Projects Fund's was created during the fiscal year from issuing \$1,445,395 in new debt to pay for a variety of capital improvement projects. The Town expended a total of \$1,028,629 on those planned projects during fiscal year 2017 and plan to complete the remaining projects in the coming fiscal years. Each year, the Town budgets for capital improvement projects which are approved at the annual town meeting.

### Other Governmental Funds

All other governmental funds are composed of nonmajor special revenue funds, capital projects funds, and permanent funds. Total special revenue funds' balances increased by \$19,281, total capital projects funds' balances decreased by \$665,996, and total permanent funds' balances increased by \$44. The fund balances of special revenue funds simply represent unexpended grant and other specially designated funds. The fund balances of capital projects funds represent expended bond funds issued for capital improvement projects. The fund balances of permanent funds represent nonspendable and restricted portions of funds endowed to the Town for specified uses. In fiscal year 2016, the combined change in fund balances for other governmental funds was a decrease of \$646,668.

### General Fund Budgetary Highlights

The municipal budget approves appropriations for both the General Fund and the Capital Projects Fund. The Capital Projects Fund portion is budgeted to be funded primarily through new bond issues. The original budget, as adopted by the Town on June 18, 2016, budgeted a deficit of \$350,000 that was to be covered through the use of fund balance.

The variances between the original budget and the final budget were as follows:

- General Government increased by \$42,798 due to fiscal year 2016 unexpended appropriations being carried forward
- Public Safety increased by \$10,106 due to fiscal year 2016 unexpended appropriations being carried forward
- Community Services decreased by \$245,821 due to the new Recreation fund. These expenditures are no longer a part of the General Fund budget.
- Capital Outlay increased by \$14,803 from fiscal year 2016 unexpended appropriations being carried forward.
- Fixed Charges decreased by \$62,731 to commit funds into the bond levelization reserve.
- Overlay and Bad Debts increased by \$12,492 as a result of updated estimates of revenue when the taxes were committed.

As a result of the changes above, the final budget increased the budgeted deficit to \$429,259.

In analyzing comparisons between the final budget and actual results, revenues came in at \$181,480 above budget, driven mostly by \$30,711 in supplemental taxes and \$172,526 more in non-property taxes than anticipated. Other revenue line items were over and under budget by varying degrees and, generally, positive variances offset negative variances.

Overall, actual expenditures were lower than budgeted expenditures by \$280,994. The departments with the largest budget-to-actual variances were General Government (\$128,517 and 9.3% under budget), and Benefits and Insurance (\$41,677 and 5.4% under budget).

As a result of revenues coming in over budget, and expenditures coming in under budget, , the Town experienced a surplus of \$30,006, on a budgetary basis (which differs from the GAAP basis used to measure performance in the basic financial statements, and as explained in the notes to the required supplementary information). This surplus represents a positive variance of \$459,265 between the final budget and actual performance.

## Capital Assets and Long-term Debt Activity

### Capital Assets

The Town's investment in capital assets for governmental activities, as of June 30, 2017, has a net book value of \$32.6 million, made up of costs totaling \$59.8 million less accumulated depreciation of \$27.2 million. This investment includes land, buildings, land improvements, machinery and equipment, and infrastructure. Infrastructure assets are items that are normally immovable and have value only to the Town, such as roads, bridges, streets, sidewalks, drainage systems, lighting systems, and similar items.

The total increase in the Town's investment in capital assets for the current fiscal year was \$9,200. This is a combination of \$1,730,735 in new acquisitions and constructions and \$1,721,535 in depreciation expense. Additionally the Town disposed of assets with a historical cost of \$54,319, but that had a net book value of \$0. Therefore, no gain or loss was recognized on the disposal and the disposal had no net effect on the net book value of total capital assets.

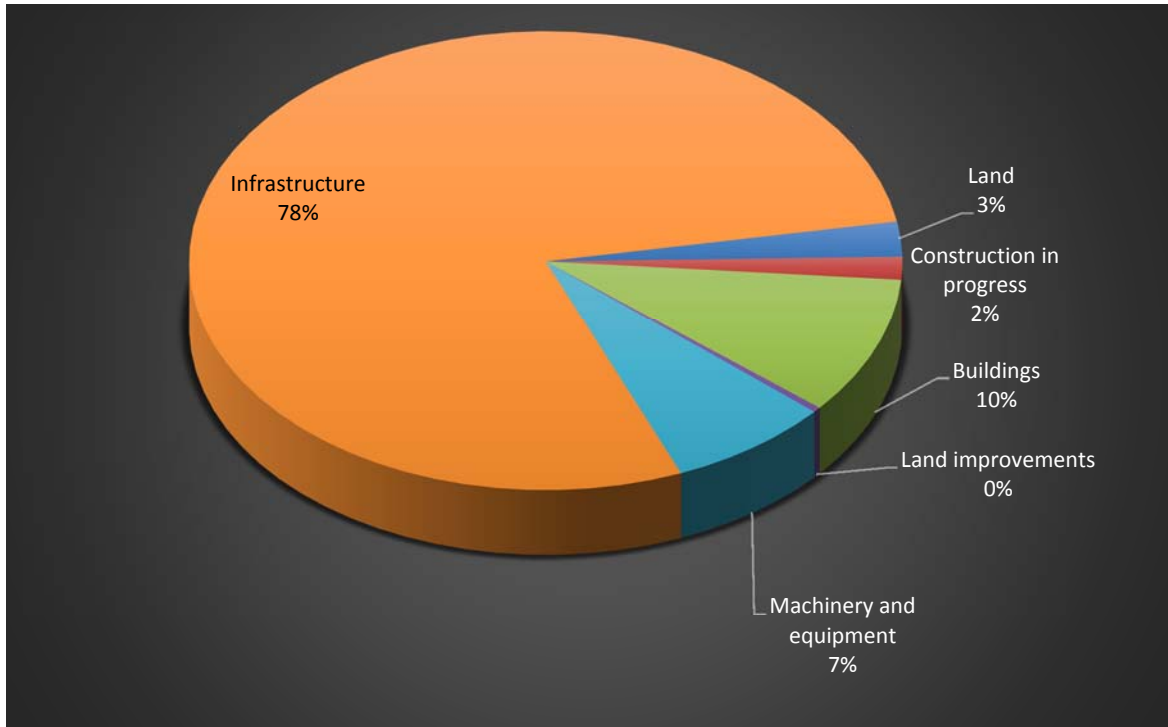
**Table C**  
Capital Assets Net Book Value Comparisons  
As of June 30, 2017 and 2016

	2017	2016	\$ Change	% Change
Land	\$ 797,244	\$ 797,244	\$ -	0.0%
Construction in progress	522,987	316,468	206,519	65.3%
Buildings	3,191,736	3,270,366	(78,630)	-2.4%
Land improvements	119,220	125,787	(6,567)	-5.2%
Machinery and equipment	2,403,766	2,303,329	100,437	4.4%
Infrastructure	25,546,456	25,759,015	(212,559)	-0.8%
Totals	<u>\$32,581,409</u>	<u>\$32,572,209</u>	<u>\$ 9,200</u>	0.0%

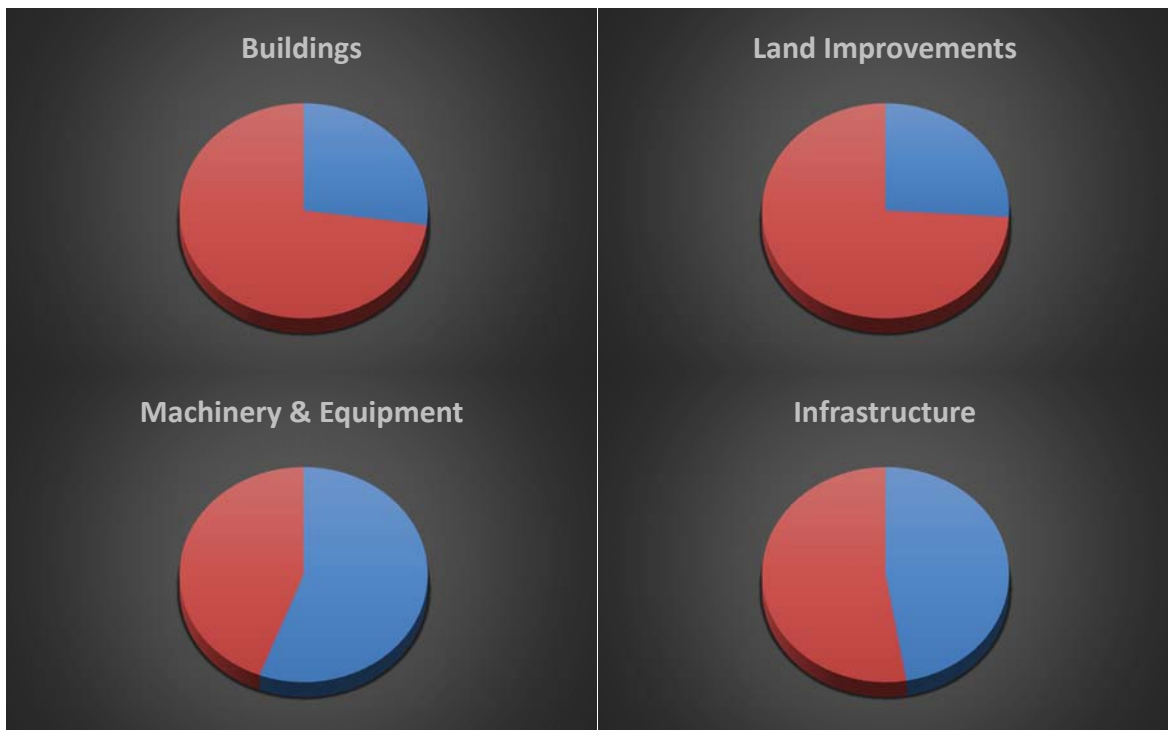
Chart C on the following page shows the composition of capital assets and their each classes' relative size to others. Infrastructure is, by far, the largest class of capital assets, making up 78% of total capital assets. The next largest asset class is buildings, at 10%.

Chart D on the following page provides a graphical depiction of how much of each asset class' total cost has been expensed as depreciation, as of June 30, 2017. The entire pie represents total cost, the red portion represents net book value (or, undepreciated cost), and the blue portion represents accumulated depreciation. These charts are designed to show how much of each asset class has been "used up" through depreciation. The more accumulated depreciation relative to net book value (i.e., the more blue the pie becomes), the closer the asset class is, on average, to the end of its useful life. As capital assets age, the Town needs to replace them so that the Town can carry out its services. The pies show that the buildings, land improvements, and infrastructure assets have, on average for the class, relatively young useful lives. The machinery and equipment class is over 50% accumulated depreciation, which means individual assets within that class are generally older and closer to the end of their useful lives. This analysis is useful to help assess where capital outlays will need to be made in the future.

**Chart C**  
Composition of Capital Assets



**Chart D**  
Consumption of Capital Assets



**Long-term Debt**

At the end of the fiscal year, the Town had \$5.9 million in general obligation – an increase of approximately \$0.5 million over last year. There was a bond issuance in fiscal year 2017 of \$1,455,395 to fund approved capital projects. The Town paid down its debt during the year in the amount of \$889,573.

All outstanding bonded debt is to be used for capital asset expenditures. Unexpended bond funds remain accounted for in the capital projects funds and will be used to complete projects that have been approved by the Town in prior years. The Town's debt load remains well below the statutory debt limit of 15% of the Town's state valuation, standing at 0.6% as of the end of fiscal year 2017. Likewise, on a per capita basis, the Town's debt was \$586.17 far below a generally acceptable amount of \$1,500 - \$2,000 per capita.

**Table D**  
Long-term Debt Comparisons  
As of June 30, 2017 and 2016

	2017	2016	\$ Change	% Change
General obligation bonds	\$ 5,943,144	\$ 5,364,092	\$ 579,052	10.8%
Notes payable	<u>-</u>	<u>13,200</u>	<u>(13,200)</u>	-100.0%
Totals	<u>\$ 5,943,144</u>	<u>\$ 5,377,292</u>	<u>\$ 565,852</u>	10.5%



## Currently Known Facts, Decisions, or Conditions

### Next Year's Budget and Rates

In June 2017, the Town's voters passed its fiscal year 2018 municipal budget in which they approved appropriations of \$9,394,548 for education, \$8,792,670 for municipal services, and \$712,240 for the county. The Town also approved \$5,028,161 in non-property tax revenues for fiscal year 2018. This resulted in an estimated 1% increase in the property tax commitment as of June 2017's town meeting and an estimated mil rate of \$12.82. The actual tax commitment subsequently computed by the Town's assessor and passed by the Council was \$13,173,872 which equated to a mil rate of \$13.25.

The differences between the original June town meeting budget and the final budget resulting from assessor's tax commitment were due to (a) an increase in the budgeted overlay by \$3,534 to account for an estimated increase in abatements based on historical experience, (b) a net decrease in the amounts of homestead exemption and BETE reimbursements by \$79,870, (c) a decrease in the estimated captured assessed value of \$344 from the Town's new Tax Increment Financing district, and (d) a decrease between estimated property valuations used in the original budget and actual valuations used in the final budget of \$15,745,536, and an increase in the MSAD6 school budget of \$301,501.

The final budgeted municipal appropriations for fiscal year 2018 ended up being \$19,281,903 – 3.75% higher than for fiscal year 2017. Expenditures through the date of this report are on track with budget projections. Of particular interest again this year are expenditures for heating fuel in all relevant departments, which, due an unusually warm October and beginning of November are all well under budget. In fact, as of the end of the first four months of the fiscal year, the highest departmental fuel expenditure is only 25% expensed, with all other departments having expensed an even smaller percentage so far except for public works which is at 22%. Also, an unexpected repair of a plow truck will cost an estimated \$25,000.

### Other Items of Note

In November 2017, the Town issued new debt through the Maine Municipal Bond Bank in the amount of \$1,631,115. As noted before, the Town's debt limit is fairly low and this new debt issue does not substantially add to the debt burden.

In fiscal year 2018, the Town made its second contribution of \$10,598 in funds to the newly created TIF District Fund. These funds are captured assessed value from within the District. That is, they are property taxes collected on the incremental value from the base value (2013's assessed value) of property within the District. These property taxes are set aside and will be expended on projects within the District. The Town's goal is to spur business growth in this newly created district.

## Requests for Information

This financial report is designed to provide a general overview of the Town of Standish's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Scott Gesualdi  
Finance Director  
Town of Standish  
175 Northeast Road  
Standish, ME 04804  
[scottg@standish.org](mailto:scottg@standish.org)

These annual financial reports are also available for download at the Town's website, [www.standish.org](http://www.standish.org), and by selecting Finance Department > Audited Financial Reports.

**Statement of Net Position**

Statement 1

As of June 30, 2017

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 5,821,661
Accounts receivable	184,311
Taxes receivable, net	497,198
Liens receivable	104,129
Lien interest and costs receivable	9,816
Tax acquired property	23,266
Inventory and prepaid expense	53,700
Other assets	<u>160</u>
Total current assets	6,694,241
Land	797,244
Construction in progress	522,987
Depreciable capital assets	58,453,303
Accumulated depreciation	<u>(27,192,125)</u>
Total capital assets, net of depreciation	<u>32,581,409</u>
<b>Total Assets</b>	39,275,650
<b>Liabilities</b>	
Accounts payable	409,457
Accrued wages	63,713
Customer deposits	7,388
Unearned revenues	109,891
Accrued interest	19,508
Accrued compensated absences	207,745
Long-term debt - due within one year	975,015
Long-term debt - due beyond one year	<u>4,968,129</u>
<b>Total Liabilities</b>	6,760,846
<b>Deferred Inflows of Resources</b>	
Taxes collected in advance	<u>5,439</u>
<b>Net Position</b>	
Net investment in capital assets	27,952,229
Restricted for:	
Nonexpendable permanent fund principal	19,958
Expendable permanent fund balances	4,621
Capital projects	1,313,962
Special revenues	26,609
Other externally imposed purposes	113,584
Unrestricted	<u>3,078,402</u>
<b>Total Net Position</b>	<u><u>\$ 32,509,365</u></u>

## Statement of Activities

### Statement 2

For the Year Ended June 30, 2017

				Net (Expense) Revenue and Changes in Net Position
Functions / Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	
<b>Primary Government</b>				
Governmental Activities				
General government	\$ 1,346,971	\$ 329,052	\$ -	\$ (1,017,919)
Public safety	1,845,614	530,554	-	(1,315,060)
General assistance	28,744	-	16,352	(12,392)
Public works	3,157,397	150,517	163,864	(2,843,016)
Community service	449,751	302,526	2,304	(144,921)
Capital outlay	6,710	-	-	(6,710)
Benefits and insurance	738,831	-	-	(738,831)
Fixed charges	10,261,884	-	-	(10,261,884)
Overlay and bad debt	<u>41,192</u>	<u>-</u>	<u>-</u>	<u>(41,192)</u>
<b>Total Primary Government</b>	<b><u>\$ 17,877,094</u></b>	<b><u>\$ 1,312,649</u></b>	<b><u>\$ 182,520</u></b>	<b>(16,381,925)</b>
General Revenues				
				12,911,080
				1,903,726
				591,077
				50,263
				<u>81,158</u>
			Total general revenues	15,537,304
<b>Change in Net Position</b>				<b>(844,621)</b>
<b>Beginning Net Position</b>				<b><u>33,353,986</u></b>
<b>Ending Net Position</b>				<b>\$ 32,509,365</b>

**Balance Sheet**

Statement 3

## Governmental Funds

As of June 30, 2017

	General Fund	2017 Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 3,766,601	\$ 2,029,952	25,108	\$ 5,821,661
Accounts receivable	182,534	-	1,777	184,311
Taxes receivable, net	497,198	-	-	497,198
Liens receivable	104,129	-	-	104,129
Lien interest and costs receivable	9,816	-	-	9,816
Tax acquired property	23,266	-	-	23,266
Inventory and prepaid expense	53,700	-	-	53,700
Other assets	160	-	-	160
Due from other funds	<u>438,306</u>	<u>-</u>	<u>1,202,224</u>	<u>1,640,530</u>
<b>Total Assets</b>	<u><u>\$ 5,075,710</u></u>	<u><u>\$ 2,029,952</u></u>	<u><u>\$ 1,229,109</u></u>	<u><u>\$ 8,334,771</u></u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 129,724	\$ 170,825	\$ 108,908	\$ 409,457
Accrued wages	50,803	-	12,910	63,713
Customer deposits	7,388	-	-	7,388
Unearned revenues	14,285	-	95,606	109,891
Due to other funds	<u>213,550</u>	<u>1,426,980</u>	<u>-</u>	<u>1,640,530</u>
Total liabilities	415,750	1,597,805	217,424	2,230,979
<b>Deferred Inflows of Resources</b>				
Unavailable property taxes	373,169	-	-	373,169
Taxes collected in advance	<u>5,439</u>	<u>-</u>	<u>-</u>	<u>5,439</u>
Total deferred inflows of resources	378,608	-	-	378,608
<b>Fund Balances</b>				
Nonspendable	53,860	-	19,958	73,818
Restricted	113,584	432,147	915,168	1,460,899
Committed	625,051	-	78,679	703,730
Assigned	566,022	-	-	566,022
Unassigned	<u>2,922,835</u>	<u>-</u>	<u>(2,120)</u>	<u>2,920,715</u>
Total fund balances	<u>4,281,352</u>	<u>432,147</u>	<u>1,011,685</u>	<u>5,725,184</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u><u>\$ 5,075,710</u></u>	<u><u>\$ 2,029,952</u></u>	<u><u>\$ 1,229,109</u></u>	<u><u>\$ 8,334,771</u></u>

**Reconciliation of the Total Governmental Funds Balance  
To the Net Position of Governmental Activities**  
As of June 30, 2017

Statement 4

**Total governmental funds balance, per Statement 3** \$ 5,725,184

Capital assets are not financial resources and, therefore, are not reported in the governmental funds. They are, however, economic resources of governmental activities and are reported in the Statement of Net Position.

Net capital assets 32,581,409

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. They are, however, economic liabilities of governmental activities and are reported in the Statement of Net Position.

Accrued interest (19,508)

Accrued compensated absences (207,745)

Long-term debt (5,943,144)

Taxes that are not expected to be collected within 60 days of the end of the fiscal year and not considered financial resources and, therefore, are excluded from the governmental fund balances. They are, however, considered economic resources of governmental activities and, therefore, are included in the net position.

Unavailable property taxes 373,169

**Net position of governmental activities, per Statement 1** \$ 32,509,365

**Statement of Revenues, Expenditures, and Changes in Fund Balances**

Statement 5

Governmental Funds

For the Year Ended June 30, 2017

	<u>General Fund</u>	<u>2017 Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Taxes	\$ 14,880,342	\$ -	\$ -	\$ 14,880,342
Intergovernmental	773,597	-	-	773,597
Licenses and permits	289,450	-	-	289,450
Charges for services	720,673	-	293,926	1,014,599
Recreation	8,600	-	-	8,600
Penalties and interest	50,263	-	-	50,263
Other revenues	<u>47,503</u>	<u>5,381</u>	<u>28,274</u>	<u>81,158</u>
Total revenues	16,770,428	5,381	322,200	17,098,009
<b>Expenditures</b>				
General government	1,256,051	-	-	1,256,051
Public safety	1,602,384	401,574	19,715	2,023,673
General assistance	28,744	-	-	28,744
Public works	1,708,702	597,401	501,042	2,807,145
Community service	143,478	29,654	445,070	618,202
Capital outlay	6,710	-	-	6,710
Benefits and insurance	738,831	-	-	738,831
Fixed charges	11,151,835	-	-	11,151,835
Overlay and bad debt	<u>41,192</u>	<u>-</u>	<u>-</u>	<u>41,192</u>
Total expenditures	<u>16,677,927</u>	<u>1,028,629</u>	<u>965,827</u>	<u>18,672,383</u>
<b>Excess (deficiency) of revenues over expenditures</b>	92,501	(1,023,248)	(643,627)	(1,574,374)
<b>Other Financing Sources (Uses)</b>				
Bond proceeds	-	1,455,395	-	1,455,395
Transfers in	5,541	-	2,500	8,041
Transfers out	<u>(2,500)</u>	<u>-</u>	<u>(5,541)</u>	<u>(8,041)</u>
Total other financing sources (uses)	<u>3,041</u>	<u>1,455,395</u>	<u>(3,041)</u>	<u>1,455,395</u>
<b>Net Change in Fund Balances</b>	95,542	432,147	(646,668)	(118,979)
<b>Beginning Fund Balances</b>	<u>4,185,810</u>	<u>-</u>	<u>1,658,353</u>	<u>5,844,163</u>
<b>Ending Fund Balances</b>	<u>\$ 4,281,352</u>	<u>\$ 432,147</u>	<u>\$ 1,011,685</u>	<u>\$ 5,725,184</u>

**Reconciliation of the Total Net Change in Fund Balances of Governmental Funds to the Change in Net Position of Governmental Activities** Statement 6  
 For the Year Ended June 30, 2017

**Net change in the total governmental funds balance, per Statement 5** \$ (118,979)

Issuance of new debt is reported as an other financing source in the governmental funds, but is not reported as revenue for governmental activities. Instead, it reported as increases in long-term debt in the Statement of Net Position.

Bond proceeds (1,455,395)

Repayment of long-term debt principal is reported as expenditures in the governmental funds, but is not reported as expenses of governmental activities. Instead, it is reported as reductions in long-term debt in the Statement of Net Position.

Bond payments 889,543

Capital assets acquired during the year are reported as expenditures in the governmental funds, but are not reported as expenses of governmental activities. Instead, they are reported as increases in capital assets in the Statement of Net Position.

Capital asset acquisitions 1,730,735

Taxes not collected within sixty days after year end are not considered available financial resources and, therefore, not reported as revenue in the governmental funds. However, they are reported as revenue in the Statement of Activities.

Decrease in unavailable property taxes (65,536)

Certain expenses and expense adjustments reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Depreciation expense (1,721,535)

Decrease in accrued interest expense 406

Increase in accrued compensated absences (103,860)

**Change in Net Position of Governmental Activities, per Statement 2** \$ (844,621)

**Statement of Fiduciary Net Position**

Statement 7

Fiduciary Funds

As of June 30, 2017

**Assets**

Cash

Agency Fund

\$ 615,514

**Liabilities**

Due to third parties

\$ 615,514



## **Note 1      Summary of Significant Accounting Policies**

### **The Reporting Entity**

The Town of Standish, Maine, incorporated in 1785, operates under a Council-Manager form of government adopted by charter in 1987. The Council consists of seven members elected by the registered voters for overlapping terms of three years. The financial statements of the Town of Standish conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Town are discussed below.

### **Principles Determining Scope of Reporting Entity**

In evaluating the Town as a reporting entity, management has addressed all potential component units for which the Town may or may not be financially accountable and, as such, be includable within the Town's basic financial statements. In accordance with GASB, the Town (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the Town. The Town also is financially accountable for organizations that are fiscally dependent on it and there is a financial benefit or burden relationship. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete.

Based on the application of these criteria, there are no other entities within the Town that should be included as part of these basic financial statements.

### **Basis of Presentation**

The Town's basic financial statements consist of government-wide financial statements that describe the Town's overall financial position and changes in financial position, and fund financial statements that provide a more detailed level of financial information.

#### *Government-Wide Financial Statements*

The government-wide financial statements, composed of the Statement of Net Position and the Statement of Activities, report information on all of the non-fiduciary activities of the Town. Governmental activities are normally supported by taxes and intergovernmental revenues.

The Statement of Net Position presents the financial condition of the governmental activities of the Town at year end. The Statement of Activities points out the extent to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are specifically associated with a function, service, program, or department. 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 requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from general revenues of the Town.

**Note 1      Summary of Significant Accounting Policies (Continued)***Fund Financial Statements*

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The Town currently uses two categories of funds: governmental funds and fiduciary funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Major individual governmental funds are reported as separate columns in the fund financial statements. The Town's governmental funds are identified as either general, special revenue, capital projects, or permanent funds based upon the following guidelines.

The *General Fund* is the operating fund of the Town and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

*Special Revenue Funds* are used to account for the proceeds of specific sources that are legally restricted to expenditures for specified purposes. None of the special revenue funds is considered a major fund in the current year.

The *Capital Projects Fund* is used to account for financial resources to be used for the acquisition or construction of major capital assets that are primarily financed through bond issues. The 2017 Capital Projects Fund is a major fund in the current year.

*Permanent Funds* are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs—that is, for the benefit of the town or its citizenry. Neither of the two permanent funds is considered a major fund in the current year.

Fiduciary funds are used to account for resources in which the Town acts as an agent or trustee. The Town currently maintains one type of fiduciary fund – an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurements or results of operations. These funds are not incorporated into the government-wide statements.

**Measurement Focus and Basis of Accounting**

Measurement focus refers to which of the Town's resources are being measured. Basis of accounting refers to the timing of the measurements being made, regardless of the measurement focus being applied. That is, basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

Government-wide financial statements and fiduciary fund financial statements are reported using the economic measurement focus and the accrual basis of accounting. All economic resources and claims on those economic resources are measured, including fixed assets, other non-current assets, and long-term liabilities. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the period for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Note 1      Summary of Significant Accounting Policies (Continued))**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The current financial resources measurement focus excludes from measurement resources such as fixed assets, other non-current assets, and long-term liabilities. Under modified accrual accounting, revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

**Interfund Transactions**

During the course of normal operations, transactions occur between individual funds. Interfund transactions are classified depending on the nature of the transaction.

*Interfund loans* are recorded as receivables and payables and are presented as “due from other funds” and “due to other funds,” respectively, on the balance sheets of the fund financial statements. For reporting purposes, current amounts due from and due to the same funds are offset and the net amounts are shown in the respective fund balance sheets. Non-fiduciary interfund loans are eliminated in the government-wide financial statements.

*Interfund services* provided and used are recorded as revenues in the fund providing the goods or services and as expenditures/expenses in the fund receiving the goods or services. Any unpaid amounts are recorded as receivables and payables and presented in the same manner as interfund loans.

*Interfund transfers* are flows of assets from one fund to another without equivalent flows of assets in return. Interfund transfers are recorded and are presented as “transfers in” and “transfers out” in the fund financial statements. In the governmental funds, these transfers are reported as other financing sources and uses.

*Interfund reimbursements* are repayments from funds responsible for particular expenditures/expenses to funds that initially paid for them. Reimbursements are not displayed in the financial statements.

**Cash and Cash Equivalents**

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition. Maine statutes authorize investments in obligations of the U. S. Treasury and U. S. Agencies, and repurchase agreements.

**Receivables**

Receivables consist of all revenues recognized by year-end (on the applicable basis of accounting) but not yet received. Management's estimation for allowances for uncollectible accounts is based on historical collection rates or, where appropriate, collection experience with specific payers.

**Inventory**

Inventory is valued at cost and consists of sand, gravel, salt, and other chemicals and materials used in road maintenance.

## Note 1      Summary of Significant Accounting Policies (Continued)

### Capital Assets

Capital assets, which include land, land improvements, buildings, machinery and equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the government-wide financial statements. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation. The Town defines capital assets as those with an initial, individual cost of \$5,000 or more with an estimated useful life in excess of two years. Expenditures that significantly increase the service capacity or extend the useful life of existing capital assets are also capitalized. The costs of normal maintenance and repairs are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives. Land and construction in progress are not depreciated. The estimated useful lives are as follows:

Land improvements	20 - 30 years
Buildings	10 - 60 years
Machinery and equipment	5 - 25 years
Infrastructure	5 - 40 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

### Deferred Outflows / Inflows of Resources

In addition to assets, the Statement of Net Position (government-wide financial statements) and Balance Sheet (fund financial statements) will sometimes report an additional financial statement element called *deferred outflows of resources*. This element represents a consumption of resources that applies to a future period and, therefore, will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently has no deferred outflows of resources.

In addition to liabilities, the Statement of Net Position (government-wide financial statements) and Balance Sheet (fund financial statements) will sometimes report an additional financial statement element called *deferred inflows of resources*. This element represents an acquisition of resources that applies to a future period and, therefore, will not be recognized as an inflow of resources (revenue) until that time. In the government-wide financial statements, the Town's deferred inflows of resources consist solely of property taxes collected in advance. In the fund financial statements, due to requirements under the modified accrual basis of accounting, deferred inflows of resources also include unavailable property taxes (property taxes not collected within 60 days after the financial statement date).

### Compensated Absences

In the government-wide financial statements, liabilities that are attributable to services already rendered are accrued as employees earn the rights to the benefits and are recognized in the period incurred. In the governmental fund financial statements, compensated absences are recognized as related payments come due each period. Pursuant to the terms of the personnel policies, vacation time and sick time is granted in varying amounts according to length of service. As of June 30, 2017, the accrual for compensated absences was determined to be \$207,745.

## Note 1      Summary of Significant Accounting Policies (Continued)

### Long-Term Obligations

Long-term debt is recognized as a liability in a governmental fund when due. For long-term obligations, only that portion expected to be financed from expendable financial resources is reported as a fund liability of a governmental fund. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

### Components of Net Position

Net position in the government-wide Statement of Net Position is required to be classified into the following three components:

*Net Investment in Capital Assets* is the portion of net position that consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Capital assets	\$ 59,773,534
Accumulated depreciation	(27,192,125)
Bonds and notes payable	(5,943,144)
Unspent bond proceeds	<u>1,313,964</u>
Net investment in capital assets	<u>\$ 27,952,229</u>

*Restricted* is the portion of net position that has constraints placed on its use which are either externally imposed by debt covenants, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

*Unrestricted* is the portion of net position that does not meet the definition of either *net investment in capital assets* or *restricted*.

### Fund Balance Components

Fund balances in the governmental funds Balance Sheet is required to be classified into five components. Classifications are hierarchical and are based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. The components of fund balance are:

*Nonspendable* is the portion of fund balance that represents amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact.

*Restricted* is the portion of fund balance that has externally enforceable legal restrictions.

*Committed* is the portion of fund balance that represents resources whose use is constrained by limitations that the government imposes upon itself at its highest level of decision making and that remain binding unless removed in the same manner.

**Note 1      Summary of Significant Accounting Policies (Continued))**

*Assigned* is the portion of fund balance constrained by the town's "intent" to be used for specific purposes, but are neither restricted nor committed. The Town Council and Town Manager have the authority to assign amounts to be used for specific purposes.

*Unassigned* is the portion of fund balance that is available for any purpose. Only the General Fund may carry a positive unassigned fund balance.

The Town has no formal revenue spending policy for programs with multiple revenue sources. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

It is the policy of the Town to maintain unassigned fund balance in the general fund at 16.67%, or two twelfths, of the approved appropriation for the municipal budget, the Town's portion of MSAD #6 local assessment, county tax, and the overlay – the "target level." In the event that the unassigned fund balance drops below this level, the Town will develop a plan, implemented through the annual budgetary process, to bring the balance to the target level over a period of no more than three (3) years. Any excess in the unassigned fund balance identified in the Town's audited financial statements that exceeds the target level above may be used to adjust the mil rate upon the recommendation of the Town Manager and the Town Council with the approval of the Town Meeting.

**Revenue Recognition**

As described previously, the government-wide financial and fiduciary fund financial statements are reported on the accrual basis of accounting. Under this method, revenue is recognized in the period earned, regardless of the timing of cash flows. Property taxes and special assessments are recognized in the fiscal year for which they are certified for levy; penalties are recognized in the period assessed; interest is recognized in the period earned. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. Expenditure-driven grants are recognized when the qualifying expenditures have been incurred and all other grant requirements have been met. Charges for services and other exchange and exchange-like transactions are recognized when the exchange takes place.

The governmental fund financial statements are reported on the modified accrual basis of accounting. Under this method, revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property taxes, special assessments, intergovernmental revenue, penalties, interest, and charges for services are susceptible to accrual, given the measurable and available requirement. Excise taxes, licenses, permits, fees, and miscellaneous revenue are not susceptible to accrual because they are not measurable until collected. Such revenue is recorded only when received.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance.

**Unearned Revenue**

Resources received in advance are recorded as unearned revenues. Unearned revenues arise when resources are received by the Town before it has a legal claim to them. In subsequent periods, when both the measurable and available criteria are met, or when the Town has legal claim to the resources, the liability for unearned revenue is reduced and revenue is recognized.

**Note 1      Summary of Significant Accounting Policies (Continued)****Use of Estimates**

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets, liabilities, the disclosure of contingent liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

**Note 2      Cash****Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the Town will not be able to recover the value of its deposits or investments that are in the possession of an outside party.

The Town's policy is that deposits and investment of funds can only be made in financial institutions that are insured by the FDIC or the FSLIC. Any funds deposited or invested above the \$250,000 insurance limit must be collateralized by the financial institution, or the excess funds must be placed with other financial institutions. As of June 30, 2017, of the Town's \$5,869,331 in bank deposits, \$2,801,284 was insured by the FDIC, and the remaining \$3,068,047 was insured by an irrevocable standby letter of credit.

**Note 3      Accounts, Taxes, and Liens Receivable**

Accounts receivable as of June 30, 2017 is \$184,311. Of this amount, approximately 78% are amounts due from the State of Maine for various grants, reimbursements, revenue sharing, and general assistance. Management believes the collectability of all remaining receivables is reasonably assured and, therefore, has not provided for an allowance for uncollectible accounts.

Taxes receivable include personal property taxes that cannot be lienied and are long past due. For these amounts, management has estimated an allowance for uncollectible accounts. Taxes receivable are reported net of this allowance on the financial statements. The net amount is calculated as follows:

Taxes receivable - current year	\$ 495,761
Taxes receivable - prior years	7,102
Allowance for uncollectible accounts	<u>(5,665)</u>
Taxes receivable, net	<u>\$ 497,198</u>

Liens receivable as of June 30, 2017 is \$104,129. Management believes the collectability of these accounts is reasonably assured and, therefore, has not provided for an allowance for uncollectible accounts.

## Note 4      Property Tax

The Town's property taxes for the July 1, 2016 to June 30, 2017 fiscal year were committed on September 13, 2016. Taxes were due semi-annually on November 15, 2016 and May 15, 2017. Unpaid taxes are charged interest of 7% per annum. The tax commitment was based on the April 1, 2016 assessed real estate and personal property values totaling \$1,004,708,939.

The Town is permitted by the laws of the State of Maine to levy taxes to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$66,811 for the year ended June 30, 2017.

For both government-wide financial statements and the General Fund's financial statements, property taxes levied for the fiscal year are recorded as receivables at the time the levy is made. In the General Fund's financial statements, however, outstanding taxes receivable that are estimated to be collected after sixty (60) days after the end of the fiscal year recorded as unavailable property taxes (under the *deferred inflows of resources* financial statement element) and the year-over-year changes in this account are netted with tax revenues.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the lien if tax liens and associated costs remain unpaid. Property acquired by foreclosure for non-payment of taxes is recorded at the amount of expired tax liens plus the cost involved in foreclosure. Liens and any current taxes on the same parcel are not included as part of the tax acquired property account until expiration of statutory time limits.

The following summarizes the tax levy for fiscal year 2017:

Real estate valuation	\$ 996,751,659
Personal property valuation	<u>7,957,280</u>
Total valuation	1,004,708,939
 Mil rate (per \$1,000 of valuation)	 <u>12.82</u>
 Tax commitment	 <u><u>\$ 12,880,369</u></u>

Collection of fiscal year 2017 taxes levied is as follows:

Original tax commitment	\$ 12,880,369
Supplemental taxes	<u>30,711</u>
Total tax commitment	12,911,080
Less:	
Abatements of current year taxes	38,872
Current year taxes receivable at year end	<u>495,761</u>
 Current year tax collections	 <u><u>\$ 12,376,447</u></u>
 Collection rate of current year taxes	 96.1%



**Note 5      Interfund Transactions****Interfund Receivables and Payables**

Individual interfund receivable and payable balances at June 30, 2017 are as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General fund	\$ 438,306	\$ 213,550
Capital projects fund	-	1,426,980
Nonmajor special revenue funds	188,972	-
Nonmajor capital projects funds	988,673	-
Nonmajor permanent funds	<u>24,579</u>	<u>-</u>
Totals	<u>\$1,640,530</u>	<u>\$1,640,530</u>

The interfund receivables and payables represent revenues received in and expenditures made out of a centralized checking account maintained in the general Fund. The general fund's *due to other funds* balance represents the amount in the centralized checking account that belongs to other funds and is not available for general fund purposes.

**Interfund Transfers**

Interfund transfers for the year ended June 30, 2017 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 5,541	\$ 2,500
Nonmajor special revenue funds	<u>2,500</u>	<u>5,541</u>
Totals	<u>\$ 8,041</u>	<u>\$ 8,041</u>

Transfers in to the General fund from other funds include \$5,211 of remaining funds from the Steep Falls Library grant, \$330 from the TIF. Transfers from the general fund to other funds consisted of \$2,500 to the Public Safety fair special revenue fund.

**Note 6 Capital Assets**

Capital asset activity for the year ended June 30, 2017 was:

	Beginning Balance	Additions	Retirements	Ending Balance
Non-depreciable Capital Assets				
Land	\$ 797,244	\$ -	\$ -	\$ 797,244
Construction in progress	316,468	206,519	-	522,987
Depreciable Capital Assets				
Buildings	4,381,254	-	-	4,381,254
Land improvements	161,042	-	-	161,042
Machinery and equipment	5,077,090	415,911	(54,319)	5,438,682
Infrastructure	<u>47,364,020</u>	<u>1,108,305</u>	<u>-</u>	<u>48,472,325</u>
Total capital assets	58,097,118	1,730,735	(54,319)	59,773,534
Less: Accumulated Depreciation				
Buildings	1,110,888	78,630	-	1,189,518
Land improvements	35,255	6,567	-	41,822
Machinery and equipment	2,773,761	315,474	(54,319)	3,034,916
Infrastructure	<u>21,605,005</u>	<u>1,320,864</u>	<u>-</u>	<u>22,925,869</u>
Total accumulated depreciation	<u>25,524,909</u>	<u>1,721,535</u>	<u>(54,319)</u>	<u>27,192,125</u>
Total capital assets, net of depreciation	<u>\$ 32,572,209</u>	<u>\$ 9,200</u>	<u>\$ -</u>	<u>\$ 32,581,409</u>

The Town retired assets with a historical cost of \$54,319 and a net book value of \$0. Total net capital asset additions in the current year were \$1,625,648.

Depreciation expense, reported only in the government-wide financial statements, was charged to governmental functions as follows:

General government	\$ 64,380
Public safety	206,428
Public works	1,437,261
Community service	<u>13,466</u>
Total depreciation expense	<u>\$ 1,721,535</u>

**Note 7 Long-Term Debt**

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

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Bonds payable	\$5,364,092	\$1,455,395	\$ (876,343)	\$5,943,144	\$ 975,015
Notes payable	<u>13,200</u>	<u>-</u>	<u>(13,200)</u>	<u>-</u>	<u>-</u>
Total long-term debt	<u>\$5,377,292</u>	<u>\$1,455,395</u>	<u>\$ (889,543)</u>	<u>\$5,943,144</u>	<u>\$ 975,015</u>

On the modified accrual basis, total long-term debt interest expenditure from the General Fund for the year ended June 30, 2017 was \$117,812. On the accrual basis, interest expense of governmental activities includes changes in accrued interest liabilities; total interest expense on long-term debt for the year ended June 30, 2017 was \$137,320.

The annual requirement to amortize debt outstanding as of June 30, 2017 is as follows:

	Principal	Interest	Payment
Fiscal Year 2018	\$ 975,015	\$ 106,476	\$1,081,491
Fiscal Year 2019	908,790	88,200	996,990
Fiscal Year 2020	787,715	74,292	862,007
Fiscal Year 2021	787,715	61,349	849,064
Fiscal Year 2022	621,115	49,222	670,337
Fiscal Year 2023-2026	<u>1,862,794</u>	<u>91,859</u>	<u>1,954,653</u>
Totals	<u>\$5,943,144</u>	<u>\$ 471,398</u>	<u>\$6,414,542</u>

In accordance with 30-A MRSA, Section 5702, as amended, no municipality shall incur debt (a) for school purposes in excess of 10% of its last full state valuation, (b) for storm or sanitary sewer purposes in excess of 7.5% of its last full state valuation, (c) for municipal airport and special district purposes in excess of 3% of its last full state valuation, and (d) for all other purposes in excess of 7.5% of its last full state valuation. Additionally, a municipality's total debt may not exceed 15% of its last full state valuation. The Town's last full state valuation, dated January 18, 2017, was \$1,024,950,000.

The Town's debt types and margins below statutory limits are as follows:

	Statutory Limit %	Debt Type Limit	Outstanding Debt	Debt Margin
School purposes	10.0%	\$102,495,000	\$ -	\$102,495,000
Storm or sanitary sewer purposes	7.5%	76,871,250	-	76,871,250
Airport and special districts	3.0%	30,748,500	-	30,748,500
All other purposes	7.5%	76,871,250	5,943,144	70,928,106
Total debt	15.0%	153,742,500	5,943,144	147,799,356

**Note 7 Long-Term Debt (Continued)**

General long-term debt details and outstanding balances are as follows:

2007 General Obligation Bonds, dated October 25, 2007; annual principal payment in November of \$57,425. Semi-annual interest payable in November and May; variable interest rate from 2.000% to 6.000% per annum. Final installment due November 2017. Authorized and issued \$574,250.	\$ 57,425
2008 General Obligation Bonds, dated October 30, 2008; annual principal payment in November of \$121,075. Semi-annual interest payable in November and May; variable interest rate from 2.075% to 5.575% per annum. Final installment due November 2018. Authorized and issued \$1,210,750.	242,150
2010 General Obligation Bonds, dated October 28, 2010; annual principal payment in November of \$121,000 (principal payments deferred until November 2015). Semi-annual interest payable in November and May; variable interest rate from 2.124% to 3.617% per annum. Final installment due November 2020. Authorized and issued \$726,000.	484,000
2011 General Obligation Bonds, dated October 27, 2011; annual principal payment in November of \$140,275. Semi-annual interest payable in November and May; variable interest rate from 0.500% to 5.500% per annum. Final installment due November 2021. Authorized and issued \$1,402,746.	701,373
2012 General Obligation Bonds, dated October 25, 2012; annual principal payment in November of \$8,800. Semi-annual interest payable in November and May; variable interest rate from 0.331% to 2.385% per annum. Final installment due November 2017. Authorized and issued \$44,000.	8,800
2013 General Obligation Bonds, dated October 24, 2013; annual principal payment in November of \$103,055. Semi-annual interest payable in November and May; variable interest rate from 0.450% to 3.120% per annum. Final installment due November 2023. Authorized and issued \$1,030,546.	721,382
2015 General Obligation Bonds, dated May 28, 2015; annual principal payment in November of \$108,872 (principal payments deferred until November 2016). Semi-annual interest payable in November and May; variable interest rate from 0.350% to 2.740% per annum. Final installment due November 2025. Authorized and issued \$1,088,719.	979,847
2015 General Obligation Bonds, dated October 22, 2015; annual principal payment in November of \$168,975 for fiscal years 2017 - 2021, \$123,375 for fiscal years 2022 - 2026. Semi-annual interest payable in November and May; variable interest rate from 0.65% to 2.830% per annum. Final installment due November 2025. Authorized and issued \$1,461,746.	1,292,772
2016 General Obligation Bonds, dated November 1, 2016 annual principal payment in November of \$145,540. Semi-annual interest payable in November and May, variable interest rate from 1.160% to 2.130% per annum. Final installment due November 2026. Authorized and issued \$1,455,395	1,455,395
Total Outstanding Long-term Debt	<u>\$ 5,943,144</u>

## Note 8 Short-Term Debt Obligations

During the year, the Town issued \$2,107,000 and \$1,191,000 in tax anticipation notes for working capital needs. Short-term debt activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Tax anticipation notes	\$ -	\$ 3,298,000	\$(3,298,000)	\$ -

Total interest paid on short-term obligations for the year ended June 30, 2017 was \$4,379.

## Note 9 Overlapping Debt

The Town's proportionate share of Cumberland County's and Maine School Administrative District No. 6's bonded debt are not reported in the Town's financial statements. Debt service is included in the annual County and School assessments to the Town. The Town's share is 2.43% (\$910,516) of Cumberland County's outstanding debt of \$37,435,000, and 38.45% (\$6,435,851) of Maine School Administrative District No. 6's outstanding bonded debt of \$16,736,520.

## Note 10 Contingent Liability

### Litigation

The Town is subject to certain legal proceedings and claims which arise in the ordinary course of conducting its activities. In the opinion of management, the Town has defensible positions and any ultimate liabilities are covered by insurance or will not materially affect the financial position of the Town.

### State and Federal Grants

The Town participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Town has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the Town, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

## Note 11 Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the Town either carries commercial insurance or participates in a public entity risk pool. Currently, the Town participates in a public entity risk pool sponsored by the Maine Municipal Association.

Based on coverage provided by the pool, as well as coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2017.

**Note 12 Outside Compensation Funds**

The Town maintains a worker's compensation fund and an unemployment compensation fund as part of a pool with Maine Municipal Association (MMA). Contributions are made by the Town during the year and are invested by MMA to administer workers' compensation and unemployment benefits for the Town, if any. The Town has a positive experience, that is, contributions and income exceed payment of benefits. These plans do not allow for retroactive premium adjustment by the pool and the pool retains the risk of loss. Therefore, these amounts are not part of the Town's financial statements.

**Note 13 Retirement Plan**

The Town participates in a 401(a) money purchase retirement plan on behalf of each full-time non-union employee. The plan is a defined contribution plan and is administered by the ICMA Retirement Corporation. The funds are invested in the ICMA Retirement Trust, a trust established by public employers for the collective investment of funds held under their retirement and deferred compensation plan. The Town contributes 6% of each qualified employees' earnings for the plan year on condition that each qualified participant contributes 2% of their earnings to the plan. For the fiscal year ending June 30, 2017, the Town's share of the retirement contributions on behalf of the qualified employees amounted to \$92,810. Participants are not fully vested until the fifth year of participation.

Assets of the plan are placed in trusts for the exclusive benefit of participants and their beneficiaries. Accordingly, the assets and the liability for the compensation deferred, including earnings on plan assets, are not included in the Town's financial statements.

**Note 14 Components of the General Fund's Fund Balance**

The General Fund's unassigned fund balance as of June 30, 2017 is \$2,922,835. The remainder of the General Fund's fund balance is composed of the following:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
Inventories	\$ 42,048	\$ -	\$ -	\$ -
Prepaid expenses	11,652	-	-	-
Other	160	-	-	-
Impact fees	-	110,659	-	-
G Spenser fund	-	1,415	-	-
J Mucci fund	-	1,510	-	-
Skate park	-	-	2,183	-
Community center	-	-	23,409	-
Bond levelization	-	-	475,511	-
Conservation	-	-	8,949	-
Government access	-	-	27,002	-
Donations	-	-	1,559	-
Voting machine	-	-	8,000	-
Summer rec scholarship	-	-	5,000	-
Economic development	-	-	73,438	-
Budgeted deficit	-	-	-	500,000
Carry forwards	-	-	-	66,022
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 53,860</u>	<u>\$ 113,584</u>	<u>\$ 625,051</u>	<u>\$ 566,022</u>

**Note 15      Deficit Fund Balance**

The 2018 Capital Project Fund had a deficit balance of \$2,020 due to an accounts payable. This deficit will be funded through future bond proceeds.

**Note 16      Subsequent Events**

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through November 21, 2017, the date the financial statements were available to be issued.

In November 2017, the Town Council approved a tax anticipation note not to exceed \$1,793,000 for the working capital needs. Management intends the note to be fully repaid in November 2017.

In November 2017, a new 10-year general obligation bond was issued in the amount of \$1,631,115 to fund approved capital projects.

**Budgetary Comparison Schedule**

Schedule 1

Budget and Actual ▪ General Fund ▪ Budgetary Basis

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Property Taxes</b>	\$ 12,940,471	\$ 12,880,369	\$ 12,911,080	\$ 30,711
<b>Non-Property Taxes</b>				
Vehicle excise taxes	1,709,200	1,709,200	1,881,200	172,000
Boat excise taxes	22,000	22,000	22,526	526
Total non-property taxes	1,731,200	1,731,200	1,903,726	172,526
<b>Intergovernmental</b>				
Snowmobile reimbursement	3,700	3,700	2,304	(1,396)
State municipal revenue sharing	312,914	312,914	319,627	6,713
Local road assistance program	167,500	167,500	159,468	(8,032)
Tree growth reimbursement	56,000	56,000	52,900	(3,100)
Veterans tax loss reimbursement	7,600	7,600	7,882	282
FEMA reimbursement	-	-	4,396	4,396
General assistance	16,776	16,776	16,352	(424)
BETE reimbursement	498	685	639	(46)
Homestead exemption reimbursement	140,000	210,029	210,029	-
Total intergovernmental	704,988	775,204	773,597	(1,607)
<b>Licenses and Permits</b>				
Dog licenses	2,300	2,300	3,354	1,054
Building permits	115,000	115,000	116,267	1,267
CEO consulting fees	5,000	5,000	-	(5,000)
Marriage licenses	5,000	5,000	2,054	(2,946)
Burial permits	420	420	450	30
Municipal permits	5,300	5,300	4,545	(755)
Plumbing permits	19,000	19,000	19,200	200
Septage disposal permits	200	200	5	(195)
Advertising fees	350	350	668	318
Gravel pit inspection fees	2,400	2,400	2,600	200
Recycling revenue	20,500	20,500	13,318	(7,182)
Transfer station user fees	38,000	38,000	42,934	4,934
Transfer station sticker fees	85,000	85,000	80,785	(4,215)
Sport licenses and RV agent fees	3,600	3,600	3,270	(330)
Total licenses and permits	302,070	302,070	289,450	(12,620)



Schedule 1 (Continued)

**Budgetary Comparison Schedule**

Budget and Actual ▪ General Fund ▪ Budgetary Basis

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Charges for Services</b>				
Passport services	\$ 7,000	\$ 7,000	\$ 7,845	\$ 845
Motor vehicle agent fees	31,000	31,000	31,426	426
Vital statistics	3,800	3,800	4,145	345
Vital additional copies	1,200	1,200	1,562	362
Animal control fees	150	150	200	50
Office fees	4,000	4,000	3,960	(40)
Boat launch services	21,000	21,000	25,268	4,268
Planning board	9,000	9,000	8,875	(125)
Cable TV franchise fees	132,222	132,222	120,245	(11,977)
Impact fees	540	540	10,875	10,335
Appeals board	600	600	1,100	500
Non-EMS public safety	250	250	2,212	1,962
Miscellaneous services	4,000	4,000	3,440	(560)
EMS	441,379	441,996	432,572	(9,424)
EMS subscription fees	19,100	19,100	21,595	2,495
EMS dispatch services	31,132	31,132	45,353	14,221
Total charges for services	706,373	706,990	720,673	13,683
<b>Recreation</b>				
Summer program	92,000	-	-	-
Vacation week program	6,000	-	-	-
Soccer program	5,500	-	-	-
Basketball program	1,500	-	-	-
Special programs	15,000	-	-	-
Before/after school program	121,000	-	-	-
Other funding sources	6,000	679	8,600	7,921
Adult/senior programs	12,000	-	-	-
Community events	-	-	-	-
Total recreation	259,000	679	8,600	7,921
<b>Penalties and Interest</b>				
Tax and lien interest	43,000	43,000	38,996	(4,004)
Lien notice fees	12,000	12,000	11,117	(883)
Ordinance fines	4,600	4,600	150	(4,450)
Total penalties and interest	59,600	59,600	50,263	(9,337)

## Schedule 1 (Continued)

**Budgetary Comparison Schedule**

Budget and Actual ▪ General Fund ▪ Budgetary Basis

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Other Revenues</b>				
Investment interest	\$ 3,300	\$ 3,300	\$ 5,916	\$ 2,616
Sale of materials / property	25,000	25,000	-	(25,000)
Leases and rentals	18,000	18,000	17,350	(650)
Donations	-	-	485	485
Miscellaneous revenue	1,000	1,000	9	(991)
P&C insurance refund	4,000	4,000	4,198	198
MMA workers comp refund	4,000	4,000	3,447	(553)
MMA unemployment comp refund	12,000	12,000	15,892	3,892
Cash over/short	-	-	175	175
Cash over/short Transfer Station	-	-	42	42
Tax write-off - uncollectible	-	-	(11)	(11)
Total other revenues	<u>67,300</u>	<u>67,300</u>	<u>47,503</u>	<u>(19,797)</u>
<b>Total Revenues</b>	16,771,002	16,523,412	16,704,892	181,480
<b>Expenditures</b>				
General government	1,341,770	1,384,568	1,256,051	128,517
Public safety	1,626,706	1,637,429	1,602,384	35,045
General assistance	46,839	46,839	28,744	18,095
Public works	1,718,199	1,718,199	1,708,702	9,497
Community service	401,801	155,980	143,478	12,502
Capital outlay	-	14,803	6,710	8,093
Benefits and insurance	780,508	780,508	738,831	41,677
Fixed charges	11,157,110	11,153,784	11,151,835	1,949
Overlay and bad debt	<u>54,319</u>	<u>66,811</u>	<u>41,192</u>	<u>25,619</u>
<b>Total Expenditures</b>	<u>17,127,252</u>	<u>16,958,921</u>	<u>16,677,927</u>	<u>280,994</u>

## Schedule 1 (Continued)

**Budgetary Comparison Schedule**

Budget and Actual ▪ General Fund ▪ Budgetary Basis

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Excess (deficiency) of revenues over (under) expenditures (from prior page)</b>	\$ (356,250)	\$ (435,509)	\$ 26,965	\$ 462,474
<b>Other Financing Uses</b>				
Transfers in from other funds	8,750	8,750	5,541	3,209
Transfers out to other funds	(2,500)	(2,500)	(2,500)	-
<b>Budgetary Surplus (Deficit)</b>	<u>\$ (350,000)</u>	<u>\$ (429,259)</u>	<u>\$ 30,006</u>	<u>\$ 459,265</u>
<b>Additions to (Use of) Fund Balance</b>				
Nonspendable	\$ -	\$ -	\$ (24,262)	
Restricted	-	-	9,421	
Committed	-	60,352	54,093	
Assigned	(350,000)	(350,000)	146,584	
Unassigned	-	(139,611)	(155,830)	
	<u>\$ (350,000)</u>	<u>\$ (429,259)</u>	<u>\$ 30,006</u>	

## Note 1      Budgetary Accounting

On an annual basis, the Town adopts an appropriated budget for the General Fund. Formal budgetary integration is employed as a management control device. The budget is prepared on budgetary basis of accounting that differs from the modified accrual basis of accounting used to prepare financial statements of the General Fund.

## Note 2      Reconciliation of Budgetary Basis to GAAP Basis

The following is a reconciliation between the Budgetary Comparison Schedule (Schedule 1) prepared on a budgetary basis of accounting and the General Fund's Statement of Revenues, Expenditures, and Changes in Fund Balance (Statement 5) prepared on the modified accrual basis of accounting, in accordance with U.S. generally accepted accounting principles (US GAAP).

<b>Total revenues, per Schedule 1</b>	\$ 16,704,892
Changes in unavailable property taxes, a deferred inflow of resources, is not budgeted for, but is required on the modified accrual basis. The changes from year to year are charged to property tax revenue.	<u>65,536</u>
<b>Total revenues, per Statement 5</b>	<u>\$ 16,770,428</u>

## Note 3      Fund Balance Components of Budgetary Deficits

For fiscal year 2017, the Town adopted an original budget with a deficit of \$350,000. The deficit was to be funded by the General Fund's assigned fund balance.

The final budget had the following changes to the original budget:

- Prior year unexpended appropriations were authorized to be carried forward in the amount of \$66,022
- An increase in Public Safety budgeted expenditures of \$617.
- A reduction in the Recreation budgeted expenditures of \$247,552 due to these funds being expended in the new recreation special revenue fund.
- A reduction in budgeted Debt Service expenditures of \$60,352 so that this amount could be set aside in the bond levelization reserve
- A reduction in the TIF district budgeted expenditures of \$2,379. The final budget is the actual current year TIF district expenditures.
- An increase to the Education budgeted expenditures of \$59,405. The final budget reflects the current year MSAD #6 assessment.
- Increases to the Overlay and Bad Debts budgeted expenditures of \$12,492 as a result of revised revenue estimates at the time taxes committed

Overall, the changes above resulted in a final budget that increased the budgeted deficit to \$429,259.

During the year, actual performance on a budgetary basis resulted in a surplus of \$30,006.

**Budgetary Comparison Schedule**

Schedule 2

Budget and Actual ▪ 2017 Capital Projects Fund ▪ Budgetary Basis  
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
Interest income	\$ -	\$ -	\$ 5,381	\$ 5,381
<b>Capital Project Expenditures</b>				
Public safety	428,000	428,000	401,574	26,426
Parks and recreation	289,000	289,000	29,654	259,346
Highway roads	<u>738,395</u>	<u>738,395</u>	<u>597,401</u>	<u>140,994</u>
Total capital project expenditures	<u>1,455,395</u>	<u>1,455,395</u>	<u>1,028,629</u>	<u>426,766</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(1,455,395)	(1,455,395)	(1,023,248)	432,147
<b>Other Financing Sources</b>				
Proceeds from bonds	<u>1,455,395</u>	<u>1,455,395</u>	<u>1,455,395</u>	<u>-</u>
<b>Budgetary Surplus (Deficit)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 432,147</u>	<u>\$ 432,147</u>

**Comparative Balance Sheets**

Schedule 3

General Fund

As of June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 3,766,601	\$ 2,676,170
Accounts receivable	182,534	180,798
Taxes receivable, net	497,198	663,221
Liens receivable	104,129	131,218
Lien interest and costs receivable	9,816	11,360
Tax acquired property	23,266	24,991
Inventory and prepaid expense	53,700	77,962
Other assets	160	160
Due from other funds	<u>438,306</u>	<u>1,273,714</u>
<b>Total Assets</b>	<u><u>\$ 5,075,710</u></u>	<u><u>\$ 5,039,594</u></u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ 129,724	\$ 165,021
Accrued wages	50,803	49,809
Customer deposits	7,388	7,571
Unearned revenues	14,285	93,794
Due to other funds	<u>213,550</u>	<u>87,001</u>
Total liabilities	415,750	403,196
<b>Deferred Inflows of Resources</b>		
Unavailable property taxes	373,169	438,705
Taxes collected in advance	<u>5,439</u>	<u>11,883</u>
Total deferred inflows of resources	378,608	450,588
<b>Fund Balances</b>		
Nonspendable	53,860	78,122
Restricted	113,584	104,163
Committed	625,051	570,958
Assigned	566,022	419,438
Unassigned	<u>2,922,835</u>	<u>3,013,129</u>
Total fund balances	<u>4,281,352</u>	<u>4,185,810</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u><u>\$ 5,075,710</u></u>	<u><u>\$ 5,039,594</u></u>

**Summarized Schedule of Changes in Fund Balances**

Schedule 4

General Fund

For the Year Ended June 30, 2017

	Beginning Balance	Net Changes in Fund Balance	Ending Balance
<b>Nonspendable</b>			
Prepaid expenses, inventories, and other	\$ 78,122	\$ (24,262)	\$ 53,860
<b>Restricted</b>			
Impact fees and restricted donations	104,163	9,421	113,584
<b>Committed</b>			
Reserves	570,958	54,093	625,051
<b>Assigned</b>			
Use of fund balance to fund budgeted deficits	350,000	150,000	500,000
Unexpended appropriations carried forward	69,438	(3,416)	66,022
<b>Unassigned</b>	<u>3,013,129</u>	<u>(90,294)</u>	<u>2,922,835</u>
<b>Totals</b>	<u>\$ 4,185,810</u>	<u>\$ 95,542</u>	<u>\$ 4,281,352</u>

**Detailed Schedule of Changes in Fund Balances**

Schedule 5

General Fund

For the Year Ended June 30, 2017

	Beginning Balance	Revenues	Net Additions (Deductions) and Transfers In (Transfers Out)	Expenditures	Ending Balance
<b>Nonspendable</b>					
Inventories	\$ 66,054	\$ -	\$ (24,006)	\$ -	\$ 42,048
Prepaid expenses	11,908	-	(256)	-	11,652
Other	160	-	-	-	160
<b>Restricted</b>					
Impact fees	100,329	13,266	-	(2,936)	110,659
G Spenser fund	1,412	3	-	-	1,415
Johnson fund	454	1	-	(455)	-
B Logan fund	271	-	-	(271)	-
J Mucci fund	1,508	2	-	-	1,510
C Pierce fund	189	-	-	(189)	-
<b>Committed</b>					
Skate park	2,179	4	-	-	2,183
Community center	23,368	41	-	-	23,409
Bond levelization	414,544	615	60,352	-	475,511
Conservation	8,933	16	-	-	8,949
Athletic fields	7,253	7	-	(7,260)	-
Government access	26,954	48	-	-	27,002
Fire engine 4	316	1	(317)	-	-
Donations	1,074	485	-	-	1,559
Voting machine	8,000	-	-	-	8,000
Summer rec scholarship	5,000	-	-	-	5,000
Economic development	73,337	101	-	-	73,438
<b>Assigned</b>					
Budgeted deficit	350,000	-	150,000	-	500,000
Carry forwards	69,438	-	(3,416)	-	66,022
<b>Unassigned</b>	<u>3,013,129</u>	<u>16,755,838</u>	<u>(179,316)</u>	<u>(16,666,816)</u>	<u>2,922,835</u>
<b>Totals</b>	<u>\$ 4,185,810</u>	<u>\$ 16,770,428</u>	<u>\$ 3,041</u>	<u>\$ (16,677,927)</u>	<u>\$ 4,281,352</u>



**Combining Balance Sheet**

Schedule 6

Nonmajor Special Revenue Funds

As of June 30, 2017

	Assets			
	Cash	Accounts Receivable	Due From Other Funds	Total Assets
<b>Restricted</b>				
Comprehensive plan	\$ -	\$ -	\$ 6,379	\$ 6,379
Steep Falls library	-	-	-	-
Standish corner	-	-	4,623	4,623
Family crisis CDBG	-	1,777	-	1,777
Volunteer fire grant	-	-	-	-
TIF district	15,608	-	-	15,608
<b>Committed</b>				
Bottles 4 fuel	9,500	-	-	9,500
Public safety fair	-	-	181	181
Recreation fund	-	-	177,789	177,789
<b>Totals</b>	<u>\$ 25,108</u>	<u>\$ 1,777</u>	<u>\$ 188,972</u>	<u>\$ 215,857</u>

	Liabilities and Fund Balances			
	Accounts Payable / Accrued Wages	Unearned Revenues	Fund Balances	Total Liabilities and Fund Balances
<b>Restricted</b>				
Comprehensive plan	\$ -	\$ -	\$ 6,379	\$ 6,379
Steep Falls library	-	-	-	-
Standish corner	-	-	4,623	4,623
Family crisis CDBG	1,777	-	-	1,777
Volunteer fire grant	-	-	-	-
TIF district	-	-	15,608	15,608
<b>Committed</b>				
Bottles 4 fuel	-	-	9,500	9,500
Public safety fair	-	-	181	181
Recreation fund	13,185	95,606	68,998	177,789
<b>Totals</b>	<u>\$ 14,962</u>	<u>\$ 95,606</u>	<u>\$ 105,289</u>	<u>\$ 215,857</u>

**Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balance**

Schedule 7

Nonmajor Special Revenue Funds

For the Year Ended June 30, 2017

	Beginning Fund Balances	Program Revenues	Transfers In (Out)	Program Expenditures	Ending Fund Balances
<b>Restricted</b>					
Comprehensive plan	\$ 6,379	\$ -	\$ -	\$ -	\$ 6,379
Steep Falls library	5,211	-	(5,211)	-	-
Standish corner	4,623	-	-	-	4,623
Family crisis CDBG	-	15,867	-	(15,867)	-
Volunteer fire grant	-	1,677	-	(1,677)	-
TIF district	10,517	5,421	(330)	-	15,608
<b>Committed</b>					
Bottles 4 fuel	13,024	4,635	-	(8,159)	9,500
Public safety fair	2,466	630	2,500	(5,415)	181
Recreation fund	<u>43,787</u>	<u>293,926</u>	<u>-</u>	<u>(268,715)</u>	<u>68,998</u>
<b>Totals</b>	<u>\$ 86,007</u>	<u>\$ 322,156</u>	<u>\$ (3,041)</u>	<u>\$ (299,833)</u>	<u>\$ 105,289</u>

**Combining Balance Sheet**

Schedule 8

Nonmajor Capital Projects Funds

As of June 30, 2017

	<u>2014 Capital Projects Fund</u>	<u>2015 Capital Projects Fund</u>	<u>2016 Capital Projects Fund</u>	<u>2018 Capital Projects Fund</u>	<u>Total</u>
<b>Assets</b>					
Due from other funds	\$ 127,419	\$ 205,147	\$ 656,107	\$ -	\$ 988,673
<b>Liabilities</b>					
Accounts payables	-	101,561	3,175	2,120	106,856
<b>Fund Balances</b>					
Restricted	127,419	103,586	652,932	-	883,937
Unassigned	-	-	-	(2,120)	(2,120)
Total fund balances	<u>\$ 127,419</u>	<u>\$ 103,586</u>	<u>\$ 652,932</u>	<u>\$ (2,120)</u>	<u>\$ 881,817</u>

**Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances**

Schedule 9

Nonmajor Capital Projects Funds

For the Year Ended June 30, 2017

	<u>2014 Capital Projects Fund</u>	<u>2015 Capital Projects Fund</u>	<u>2016 Capital Projects Fund</u>	<u>2018 Capital Projects Fund</u>	<u>Total</u>
<b>Revenue</b>					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Capital Project Expenditures</b>					
Public safety	5,875	6,041	708	-	12,624
Parks and recreation	-	10,383	141,945	-	152,328
Highway roads	-	320,920	178,002	2,120	501,042
Total expenditures	<u>5,875</u>	<u>337,344</u>	<u>320,655</u>	<u>2,120</u>	<u>665,994</u>
<b>Revenue Deficit</b>	<u>(5,875)</u>	<u>(337,344)</u>	<u>(320,655)</u>	<u>(2,120)</u>	<u>(665,994)</u>
<b>Net Change in Fund Balance</b>	(5,875)	(337,344)	(320,655)	(2,120)	(665,994)
<b>Beginning Fund Balance</b>	<u>133,294</u>	<u>440,930</u>	<u>973,587</u>	<u>-</u>	<u>1,547,811</u>
<b>Ending Fund Balance</b>	<u>\$ 127,419</u>	<u>\$ 103,586</u>	<u>\$ 652,932</u>	<u>\$ (2,120)</u>	<u>\$ 881,817</u>

**Combining Balance Sheet**  
Nonmajor Permanent Funds  
As of June 30, 2017

Schedule 10

			Totals	
	Hasty Fund	Wescott Fund	2017	2016
<b>Assets</b>				
Due from general fund	\$ 15,103	\$ 9,476	\$ 24,579	\$ 24,535
<b>Fund Balances</b>				
Nonspendable - permanent	\$ 14,911	\$ 5,047	\$ 19,958	\$ 19,958
Restricted - expendable	192	4,429	4,621	4,577
	\$ 15,103	\$ 9,476	\$ 24,579	\$ 24,535

**Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances**

Schedule 11

Nonmajor Permanent Funds

For the Year Ended June 30, 2017

			<u>Totals</u>	
	<u>Hasty Fund</u>	<u>Wescott Fund</u>	<u>2017</u>	<u>2016</u>
<b>Revenues</b>				
Interest	<u>\$ 27</u>	<u>\$ 17</u>	<u>\$ 44</u>	<u>\$ 37</u>
<b>Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Surplus Revenues</b>	27	17	44	37
<b>Beginning Fund Balances</b>	<u>15,076</u>	<u>9,459</u>	<u>24,535</u>	<u>24,498</u>
<b>Ending Fund Balances</b>	<u>\$ 15,103</u>	<u>\$ 9,476</u>	<u>\$ 24,579</u>	<u>\$ 24,535</u>

Schedule 12

**Town of Standish****Schedule of Departmental Operations**

For the Year Ended June 30, 2017

						Appropriation Balances		
						Lapsed Appropriations		
	Amounts Carried Forward from Last Year	Current Year Appro- priations	Transfers and Other Adjustments	Total Available for Expenditure	Actual Expenditures	Amounts Overdrawn	Amounts Unexpended	Amounts Carried Forward to Next Year
<b>General Government</b>								
Assessing	\$ -	\$ 93,483	\$ -	\$ 93,483	\$ 88,623	\$ -	\$ 4,860	\$ -
Code enforcement	-	95,461	-	95,461	88,516	-	6,945	-
General administration	10,030	304,915	-	314,945	299,489	-	13,320	2,136
Cable television	-	94,244	-	94,244	83,096	-	11,148	-
Town council	-	48,276	-	48,276	37,090	-	7,936	3,250
Town clerk	872	195,073	-	195,945	179,548	-	14,277	2,120
Finance	27	187,266	-	187,293	182,989	-	1,417	2,887
Planning	28,986	117,056	-	146,042	108,932	-	(76)	37,186
Appeals board	-	622	-	622	210	-	412	-
Building maintenance	2,883	205,374	-	208,257	187,558	-	20,587	112
	42,798	1,341,770	-	1,384,568	1,256,051	-	80,826	47,691
<b>Public Safety</b>								
Public safety	10,106	1,108,145	617	1,118,868	1,093,028	-	16,809	9,031
Law enforcement	-	518,561	-	518,561	509,356	-	9,205	-
	10,106	1,626,706	617	1,637,429	1,602,384	-	26,014	9,031
<b>General Assistance</b>								
	-	46,839	-	46,839	28,744	-	18,095	-

Schedule 12 (Continued)

**Town of Standish**  
**Schedule of Departmental Operations**  
For the Year Ended June 30, 2017

	Amounts Carried Forward from Last Year	Current Year Appro- priations	Transfers and Other Adjustments	Total Available for Expenditure	Actual Expenditures	Appropriation Balances		Amounts Carried Forward to Next Year
						Lapsed Appropriations		
						Amounts Overdrawn	Amounts Unexpended	
<b>Public Works</b>								
Public works	\$ -	\$ 1,184,059	\$ -	\$ 1,184,059	\$ 1,196,653	\$ 12,594	\$ -	\$ -
Solid waste	-	534,140	-	534,140	512,049	-	22,091	-
	-	1,718,199	-	1,718,199	1,708,702	12,594	22,091	-
<b>Community Service</b>								
Recreation	1,731	354,101	(247,552)	108,280	95,778	-	9,002	3,500
Donations	-	47,700	-	47,700	47,700	-	-	-
	1,731	401,801	(247,552)	155,980	143,478	-	9,002	3,500
<b>Capital Outlay</b>								
Town clerk	6,380	-	-	6,380	6,380	-	-	-
Public works	8,423	-	-	8,423	330	-	2,293	5,800
	14,803	-	-	14,803	6,710	-	2,293	5,800
<b>Benefits &amp; Insurance</b>								
Employee benefits	-	706,718	-	706,718	670,651	-	36,067	-
Insurance	-	73,790	-	73,790	68,180	-	5,610	-
	-	780,508	-	780,508	738,831	-	41,677	-

See the accompanying Notes to the Other Supplementary Information.



Schedule 12 (Continued)

**Town of Standish**  
**Schedule of Departmental Operations**  
For the Year Ended June 30, 2017

						Appropriation Balances		
						Lapsed Appropriations		
	Amounts Carried Forward from Last Year	Current Year Appro- priations	Transfers and Other Adjustments	Total Available for Expenditure	Actual Expenditures	Amounts Overdrawn	Amounts Unexpended	Amounts Carried Forward to Next Year
<b>Fixed Charges</b>								
Debt service	\$ -	\$ 1,074,035	\$ (60,352)	\$ 1,013,683	\$ 1,011,734	\$ -	\$ 1,949	\$ -
County tax	-	680,768	-	680,768	680,768	-	-	-
TIF district	-	7,759	(2,379)	5,380	5,380	-	-	-
Education	-	9,394,548	59,405	9,453,953	9,453,953	-	-	-
	-	11,157,110	(3,326)	11,153,784	11,151,835	-	1,949	-
<b>Overlay and Bad Debt</b>	-	54,319	12,492	66,811	41,192	-	25,619	-
<b>Totals</b>	\$ 69,438	\$ 17,127,252	\$ (237,769)	\$ 16,958,921	\$ 16,677,927	\$ 12,594	\$ 227,566	\$ 66,022

**Note 1: Capital Projects Fund Budgetary Comparison Schedule**

On an annual basis, the Town adopts an appropriated budget that contemplates operational expenditures for both the General Fund and the current year Capital Projects Fund. The budgetary comparison schedule for the General Fund is required supplementary information under GASB reporting standards, whereas the budgetary comparison schedule for the 2017 Capital Projects Fund is not required supplementary information. Management presents the budgetary comparison schedule for the 2017 Capital Projects Fund (Schedule 2) as other supplementary information for purposes of additional analysis.

On a budgetary basis, the 2017 Capital Projects Fund ran a surplus for the year in the amount of \$432,146. Surpluses will be used in future years to complete approved capital projects.



**Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards**

Town Council  
Town of Standish

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Standish, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Town of Standish's basic financial statements, and have issued our report thereon dated November 21, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Town of Standish's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Standish's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Standish's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, reading "Benny Talbot Royer". The signature is written in a cursive, flowing style.

Certified Public Accountants  
November 21, 2017