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Town of Surry Maine Annual Audited Financial Report 2014

Surry, Me

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TOWN OF SURRY, MAINE

*FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT*

*FOR THE FISCAL YEAR
ENDED JUNE 30, 2014*

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Wanese L. Lynch, C.P.A.

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Selectmen
Town of Surry
Surry, ME 04684

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Surry, Maine (the Town) as of and for the fiscal year ended June 30, 2014, which collectively comprise the Town's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Surry, Maine as of June 30, 2014, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

TOWN OF SURRY, MAINE
FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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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 through 6 and 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Surry, Maine's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and other supplementary information 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, the combining and individual nonmajor fund financial statements and other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Respectfully Submitted,

James W. Wadman, C.P.A.

James W. Wadman, C.P.A.
March 7, 2015

TOWN OF SURRY, MAINE
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

The management of the Town of Surry, Maine (the Town) offers readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the financial statements and accompanying notes that follow.

FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

Government-wide Highlights:

Net Position – The assets of the Town exceeded its liabilities at the fiscal year ending June 30, 2014 by \$8,219,100 (presented as “net position”). Of this amount, \$2,070,914 was reported as “unrestricted net position”. Unrestricted net position represents the amount available to be used to meet the Town's ongoing obligations to citizens and creditors.

Changes in Net Position – The Town's total net position decreased by \$175,700 (a 2.1% decrease) for the fiscal year ended June 30, 2014.

Fund Highlights:

Governmental Funds – Fund Balances – As of the close of the fiscal year ended June 30, 2014, the Town's governmental funds reported a combined ending fund balance of \$3,167,943, an increase of \$43,448 in comparison with the prior year. Of this total fund balance, \$634,629 represents general unassigned fund balance. This unassigned fund balance represents approximately 20.5% of the total general fund expenditures for the fiscal year.

Long-term Debt:

The Town's total long-term debt obligations decreased \$2,584 (24.2%) during the current fiscal year. There were no new debt obligations issued during the year. Existing debt obligations were retired according to schedule.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic 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 additional required supplementary information (budgetary comparison) and other supplementary information. These components are described below:

Government-wide Financial Statements

The government-wide financial statements present the financial picture of the Town from the economic resources measurement focus using the accrual basis of accounting and are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. They distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The statement of net position includes all assets of the Town (including infrastructure) as well as all liabilities (including long-term debt), with the difference between the two reported as net position. The statement of activities shows how the Town's net position changed during the year, regardless of the timing of related cash flows. The government-wide financial statements can be found on pages 7 - 8 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements include statements for one category of activity – governmental funds.

The governmental activities are prepared using the current financial resources measurement focus and the modified accrual basis of accounting and are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund

balance provide a reconciliation to explain the differences between the governmental funds and governmental activities. The basic governmental fund financial statements can be found on pages 9 - 10 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found on pages 11 - 19 of this report.

Required Supplementary Information

This section includes a budgetary comparison schedule, which includes a reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the general fund as presented in the governmental fund financial statements (if necessary). Required supplementary information can be found on page 20 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

The largest portion of the Town's net position (60.4%) reflects its investment in capital assets such as land, buildings, equipment and infrastructure (roads, bridges and other immovable assets), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although, the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities	Business-like Activities	Total 2014	Total 2013
Current Assets	\$ 3,489,116	\$ 0	\$ 3,489,116	\$ 3,524,811
Capital Assets	\$ 4,974,296	\$ 0	\$ 4,974,296	\$ 5,159,600
<i>Total Assets</i>	\$ 8,463,412	\$ 0	\$ 8,463,412	\$ 8,684,411
Current Liabilities	\$ 229,698	\$ 0	\$ 229,698	\$ 274,987
Other Liabilities	\$ 5,371	\$ 0	\$ 5,371	\$ 8,085
Deferred Inflows	\$ 9,243	\$ 0	\$ 9,243	\$ 6,540
Net Position;				
Invested in Capital Assets	\$ 4,966,211	\$ 0	\$ 4,966,211	\$ 5,148,931
Restricted	\$ 1,181,976	\$ 0	\$ 1,181,976	\$ 1,287,844
Unrestricted	\$ 2,070,914	\$ 0	\$ 2,070,914	\$ 1,958,026
<i>Total Liabilities and Net Position</i>	\$ 8,463,412	\$ 0	\$ 8,463,412	\$ 8,684,411

An additional portion of the Town's net position (14.4%) represents resources that are subject to external restrictions on their use. The remaining balance of unrestricted net position (25.2%) may be used to meet the government's ongoing obligations to citizens and creditors.

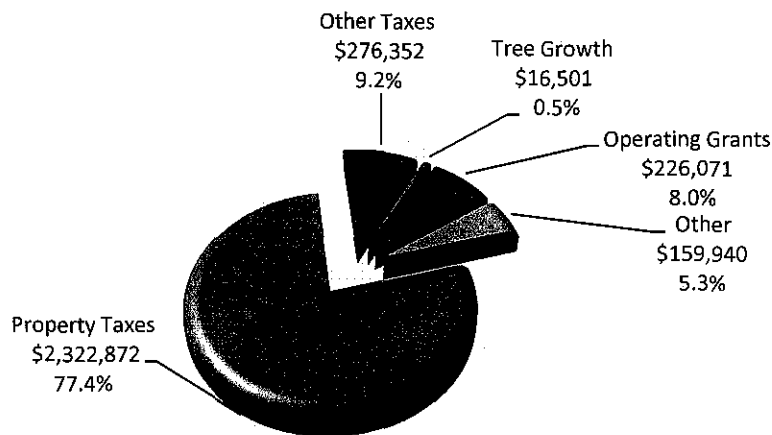
Changes in Net Position

Governmental activities decreased the Town's net position by \$175,700. This decrease was primarily due to depreciation offset by conservative budgeting and controlled costs.

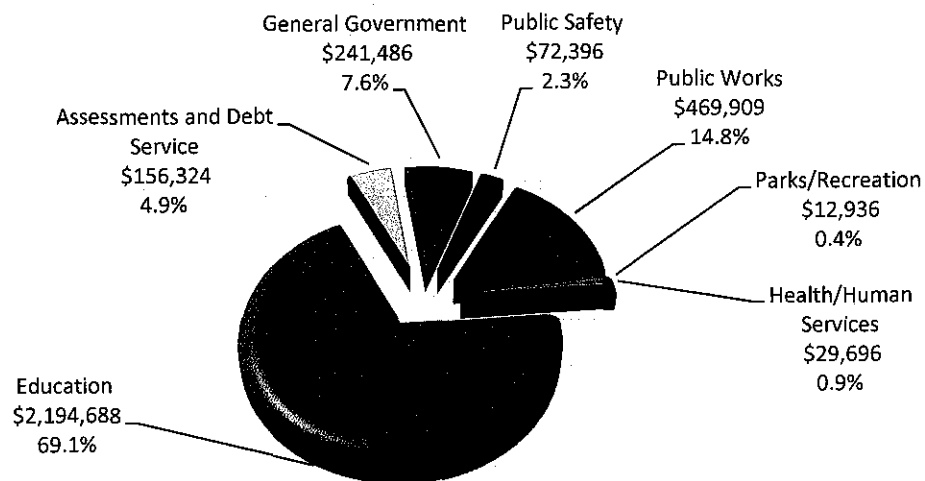
	Governmental Activities	Business-like Activities	Total 2014	Total 2013
<i>Revenues;</i>				
Tax Revenues	\$ 2,599,224	\$ 0	\$ 2,599,224	\$ 2,667,796
Program Revenues	\$ 258,190	\$ 0	\$ 258,190	\$ 286,488
Investments	\$ 34,461	\$ 0	\$ 34,461	\$ 25,070
Revenue Sharing	\$ 26,532	\$ 0	\$ 26,532	\$ 45,117
Other	\$ 83,329	\$ 0	\$ 83,329	\$ 71,187
<i>Total Revenues</i>	\$ 3,001,736	\$ 0	\$ 3,001,736	\$ 3,095,658

<i>Expenses;</i>				
General Government	\$ 238,350	\$ 0	\$ 241,486	\$ 238,350
Public Safety	\$ 66,115	\$ 0	\$ 72,396	\$ 66,115
Public Works	\$ 466,431	\$ 0	\$ 469,909	\$ 466,431
Parks & Recreation	\$ 26,774	\$ 0	\$ 12,936	\$ 26,774
Health & Human Services	\$ 30,396	\$ 0	\$ 29,696	\$ 30,396
Education	\$ 2,119,920	\$ 0	\$ 2,194,688	\$ 2,119,920
Assessments & Debt Service	\$ 136,474	\$ 0	\$ 156,324	\$ 136,474
<i>Total Expenses</i>	\$ 3,084,461	\$ 0	\$ 3,177,436	\$ 3,084,461
Changes in Net Position	\$ 11,198	\$ 0	\$ (175,700)	\$ 11,198

Revenues by Source - Governmental and Business-Type



Expenditures by Source - Governmental and Business-Type



FINANCIAL ANALYSIS OF THE TOWN'S INDIVIDUAL FUNDS

Governmental Funds

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

At the end of the fiscal year, the Town's governmental funds reported ending fund balances of \$3,167,943, an increase of \$43,448 in comparison with the prior fiscal year. Approximately 20.0 percent of this total amount constitutes unassigned fund balance. The remainder is reserved to indicate that it is not available for new spending because it has been committed to liquidate contracts and commitments of the prior fiscal year or for a variety of other purposes.

GENERAL FUND BUDGETARY HIGHLIGHTS

Variances between actual General Fund revenues and expenditures and the final amended budget included the following:

- \$54,038 positive variance in excise tax revenues. This is due to conservative budgeting.
- \$26,532 positive variance in state revenue sharing revenues. This is due to large tree growth penalties being assessed.
- \$163,903 positive variance in all other revenues. This is primarily due to conservative budgeting.
- \$227,005 negative variance in education expenditures. This is primarily due to a significant amount of the funding of the budget coming from surplus offset by conservative budgeting and controlled expenditures.
- \$72,770 positive variance in assessment expenditures. This is primarily due to budgeted overlay.
- \$181,908 positive variance in all other expenditures. This is due to controlled costs and conservative budgeting.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental activities amounts to \$11,321,610, net of accumulated depreciation of \$6,347,314, leaving a net book value of \$4,974,296. There were current year additions of \$14,313 of school building improvements, \$12,780 of school department equipment purchases, \$7,860 for a alewife fish way, and \$41,253 of road improvements. There were no current year retirements or impairments. Additional information on the Town's capital assets can be found in Note 4 of the notes to the financial statements on page 17 of this report.

Debt

The Town has total bonded debt outstanding of \$0 and \$8,085 of total outstanding capital leases that is backed by the full faith and credit of the Town. The outstanding debt decreased \$2,584 during the current fiscal year. Additional information on the Town's long-term debt can be found in Note 7 of the notes to the financial statements on pages 17 - 18 of this report.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all citizens, taxpayers, investors and creditors. This financial report seeks to demonstrate the Town's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Town of Surry, P.O. Box 147, Surry, ME 04684-0147.

TOWN OF SURRY, MAINE
STATEMENT OF NET POSITION
JUNE 30, 2014

(Exhibit I)

		<i>Governmental Activities</i>	
		<i>2014</i>	<i>2013</i>
<u>Assets</u>			
Cash and Cash Equivalents		\$2,567,364	\$2,263,081
Investments, at Fair Market Value		\$626,622	\$880,328
Accounts Receivable		\$104,906	\$140,013
Taxes Due		\$173,968	\$228,572
Prepaid Expenses		\$15,137	\$12,069
Inventories		\$1,119	\$749
<u>Capital Assets</u>			
Land		\$191,360	\$191,360
Other Capital Assets, net of Accumulated Depreciation		\$4,782,936	\$4,968,240
Total Capital Assets		\$4,974,296	\$5,159,600
<u>Total Assets</u>		<u>\$8,463,412</u>	<u>\$8,684,411</u>
<u>Liabilities</u>			
Accounts Payable		\$149,777	\$202,775
Accrued Contracted Salaries		\$77,207	\$69,628
<u>Capital Lease Payable</u>			
Due within one year		\$2,714	\$2,584
Due in more than one year		\$5,371	\$8,085
<u>Total Liabilities</u>		<u>\$235,069</u>	<u>\$283,071</u>
<u>Deferred Inflows of Resources</u>			
Prepaid Property Taxes		\$9,243	\$6,540
<u>Total Deferred Inflows of Resources</u>		<u>\$9,243</u>	<u>\$6,540</u>
<u>Net Position</u>			
Net Investment in Capital Assets		\$4,966,211	\$5,148,931
Restricted		\$1,181,976	\$1,287,844
Unrestricted		\$2,070,914	\$1,958,026
<u>Total Net Position</u>		<u>\$8,219,100</u>	<u>\$8,394,800</u>
<u>Total Liabilities, Deferred Inflows and Net Position</u>		<u>\$8,463,412</u>	<u>\$8,684,411</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

TOWN OF SURRY, MAINE

(Exhibit II)

STATEMENT OF ACTIVITIES**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<u>Functions/Programs</u>		<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for</u>	<u>Operating</u>	<u>Governmental Activities</u>	
<u>Primary Government</u>	<u>Expenses</u>	<u>Services</u>	<u>Grants</u>	<u>2014</u>	<u>2013</u>
<u>Governmental Activities</u>					
General Government	\$241,486	\$13,798		(\$227,688)	(\$220,335)
Public Safety	\$72,396	\$726		(\$71,670)	(\$65,271)
Public Works	\$469,909		\$29,824	(\$440,085)	(\$437,251)
Parks & Recreation	\$12,936			(\$12,936)	(\$26,747)
Health & Human Services	\$29,696			(\$29,696)	(\$30,396)
Education	\$2,194,688	\$17,595	\$196,247	(\$1,980,846)	(\$1,881,499)
Assessments & Debt Service	\$156,324			(\$156,324)	(\$136,474)
<u>Total Governmental Activities</u>	<u>\$3,177,436</u>	<u>\$32,119</u>	<u>\$226,071</u>	<u>(\$2,919,246)</u>	<u>(\$2,797,973)</u>
<u>Total Primary Government</u>	<u>\$3,177,436</u>	<u>\$32,119</u>	<u>\$226,071</u>	<u>(\$2,919,246)</u>	<u>(\$2,797,973)</u>
<u>General Revenues:</u>					
Tax Revenues, including Homestead Reimbursement				\$2,303,368	\$2,377,150
Excise Taxes				\$276,352	\$272,702
Municipal Revenue Sharing				\$26,532	\$45,117
Tree Growth Reimbursement & Penalties				\$16,501	\$27,459
Gain on TAP				\$26,843	\$12,152
Interest Earned				\$19,263	\$15,030
Investment Gains (Losses)				\$15,198	\$10,040
Interest and Fees on Delinquent Taxes				\$19,504	\$17,944
Other Revenues				\$39,985	\$31,576
<u>Total Revenues</u>				<u>\$2,743,546</u>	<u>\$2,809,170</u>
<u>Changes in Net Position</u>				<u>(\$175,700)</u>	<u>\$11,198</u>
<u>Net Position - Beginning</u>				<u>\$8,394,800</u>	<u>\$8,383,602</u>
<u>Net Position - Ending</u>				<u>\$8,219,100</u>	<u>\$8,394,800</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

TOWN OF SURRY, MAINE

(Exhibit III)

BALANCE SHEET - GOVERNMENTAL FUNDS**JUNE 30, 2014**

	<i>General Fund</i>	<i>Permanent Funds</i>	<i>Total Governmental Funds</i>	<i>2013</i>
<i><u>Assets</u></i>				
Cash and Cash Equivalents	\$2,543,580	\$23,784	\$2,567,364	\$2,263,081
Investments, at Fair Market Value	\$409,936	\$216,686	\$626,622	\$880,328
Accounts Receivable	\$104,906		\$104,906	\$140,013
Taxes Due	\$173,968		\$173,968	\$228,572
Prepaid Expenses	\$15,137		\$15,137	\$12,069
Inventory	\$1,119		\$1,119	\$749
Due From Other Funds	\$5,400	\$2,520	\$7,920	\$6,800
<i><u>Total Assets</u></i>	<u>\$3,254,046</u>	<u>\$242,990</u>	<u>\$3,497,036</u>	<u>\$3,531,612</u>
<i><u>Liabilities, Deferred Inflows & Fund Balances</u></i>				
<i><u>Liabilities:</u></i>				
Accounts Payable	\$149,777		\$149,777	\$202,775
Accrued Contracted Salaries	\$77,207		\$77,207	\$69,628
Due to Other Funds	\$2,520	\$5,400	\$7,920	\$6,800
<i><u>Total Liabilities</u></i>	<u>\$229,504</u>	<u>\$5,400</u>	<u>\$234,904</u>	<u>\$279,203</u>
<i><u>Deferred Inflows of Resources</u></i>				
Prepaid Property Taxes	\$9,243	\$0	\$9,243	\$6,540
Unearned Property Tax Revenue	\$84,947	\$0	\$84,947	\$121,374
<i><u>Total Deferred Inflows of Resources</u></i>	<u>\$94,190</u>	<u>\$0</u>	<u>\$94,190</u>	<u>\$127,914</u>
<i><u>Fund Balances:</u></i>				
Nonspendable	\$1,119	\$170,212	\$171,331	\$168,801
Restricted	\$1,010,645		\$1,010,645	\$1,119,043
Committed	\$407,626		\$407,626	\$340,822
Assigned	\$876,334	\$67,378	\$943,712	\$876,259
Unassigned	\$634,629		\$634,629	\$619,571
<i><u>Total Fund Balances</u></i>	<u>\$2,930,353</u>	<u>\$237,590</u>	<u>\$3,167,943</u>	<u>\$3,124,495</u>
<i><u>Total Liabilities, Deferred Inflows & Fund Balances</u></i>	<u>\$3,254,046</u>	<u>\$242,990</u>	<u>\$3,497,036</u>	<u>\$3,531,612</u>
<i><u>Total Fund Balance - Governmental Funds</u></i>			\$3,167,943	
<i>Net position reported for governmental activities in the statement of net position is different because:</i>				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds			\$4,974,296	
Delinquent taxes are recognized as revenue in the period for which levied in the government-wide financial statements, but are reported as unearned revenue (a liability) in governmental funds			\$84,947	
Some liabilities are not due and payable in the current period and therefore, are not reported in the funds, including:				
Capital Lease Payable			(\$8,085)	
<i><u>Net Position of Governmental Activities</u></i>			<u>\$8,219,100</u>	

The Notes to the Financial Statements are an Integral Part of this Statement.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGESIN FUND BALANCES - GOVERNMENTAL FUNDSFOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General Fund	Permanent Funds	Total Governmental Funds	2013
<u>Revenues:</u>				
Tax Revenues, including Homestead Reimbursement	\$2,339,795		\$2,339,795	\$2,397,448
Education	\$323,660		\$323,660	\$254,153
Excise Taxes	\$276,352		\$276,352	\$272,702
Municipal Revenue Sharing	\$26,532		\$26,532	\$45,117
Highway Block Grant	\$29,824		\$29,824	\$29,180
Tree Growth Reimbursement & Penalties	\$16,501		\$16,501	\$27,459
Gain on TAP	\$26,843		\$26,843	\$12,152
Licenses, Permits and Fees	\$14,524		\$14,524	\$18,886
Interest Earned	\$15,183	\$4,080	\$19,263	\$15,030
Investment Gains (Losses)		\$15,198	\$15,198	\$10,040
Interest and Fees on Delinquent Taxes	\$19,504		\$19,504	\$17,944
Other Revenues	\$38,865	\$1,120	\$39,985	\$31,576
<u>Total Revenues</u>	<u>\$3,127,583</u>	<u>\$20,398</u>	<u>\$3,147,982</u>	<u>\$3,131,687</u>
<u>Expenditures(Net of Departmental Revenues):</u>				
General Government	\$229,270	\$4,668	\$233,938	\$230,740
Public Safety	\$64,519		\$64,519	\$58,238
Public Works	\$308,484		\$308,484	\$325,902
Parks & Recreation	\$12,664		\$12,664	\$26,502
Health & Human Services	\$29,696		\$29,696	\$30,396
Education	\$2,298,909		\$2,298,909	\$2,140,315
Assessments & Debt Service	\$156,324		\$156,324	\$136,474
<u>Total Expenditures</u>	<u>\$3,099,866</u>	<u>\$4,668</u>	<u>\$3,104,534</u>	<u>\$2,948,567</u>
<u>Excess Revenues Over Expenditures</u>	<u>\$27,718</u>	<u>\$15,730</u>	<u>\$43,448</u>	<u>\$183,120</u>
<u>Other Financing Sources (Uses):</u>				
Capital Lease Proceeds			\$0	\$6,129
Operating Transfers In			\$0	\$1,758
Operating Transfers Out			\$0	(\$1,758)
<u>Excess Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</u>	<u>\$27,718</u>	<u>\$15,730</u>	<u>\$43,448</u>	<u>\$189,249</u>
<u>Beginning Fund Balance</u>	<u>\$2,902,635</u>	<u>\$221,860</u>	<u>\$3,124,495</u>	<u>\$2,935,246</u>
<u>Ending Fund Balance</u>	<u>\$2,930,353</u>	<u>\$237,590</u>	<u>\$3,167,943</u>	<u>\$3,124,495</u>
<u>Reconciliation to Statement of Activities, change in Net Position:</u>				
Net Change in Fund Balances - Above			\$43,448	
Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Position. Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Position				
This amount represents long-term debt payments			\$2,584	
Delinquent taxes are recognized as revenue in the period for which levied in the Government-Wide financial statements, but are recorded as unearned revenue (a liability) in governmental funds			(\$36,427)	
Governmental funds report capital outlays as expenditures, while in the Statement of Activities, the cost of those assets are allocated over the estimated useful lives as depreciation expense			\$76,206	
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.			(\$261,510)	
<u>Change in Net Position of Governmental Activities</u>			<u>(\$175,700)</u>	

The Notes to the Financial Statements are an Integral Part of this Statement.

TOWN OF SURRY, MAINE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Town of Surry, Maine (the Town) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for the governmental accounting and financial reporting principles. The more significant of the Town's accounting principles are described below.

A. Financial Reporting Entity

The accompanying financial statements present the government of the Town of Surry, Maine, which is identified based upon the criteria identified in Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*. The Town is governed under a Selectmen form of government. The Town engages in a comprehensive range of municipal services, including administrative services, public safety, health and sanitation, transportation, education and cultural services. The financial statements include all operations of the Town. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Fiduciary activities, whose resources are not available to finance the Town's programs are excluded from the government-wide statements. The material effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Functional expenses may also include an element of indirect cost, designed to recover administrative (overhead) costs. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *total economic resources measurement focus* and the *accrual basis of accounting*. Revenues and additions are recorded when earned and expenses and deductions are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied (i.e. intended to finance). Grants are recognized as revenue as soon as all eligibility requirements have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of 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. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, including interest on long-term debt, are recorded only when payment is due.

Property taxes, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports unearned revenue on its governmental fund financial statements. Unearned revenues arise when a potential

revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the Town before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

The Town reports the following major governmental funds:

The general fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Permanent funds are used to account for assets held in perpetuity and therefore cannot be used to support the Town's own programs, but the investment earnings may be used for designated purposes.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, fines and forfeitures, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

D. Assets, Liabilities and Net Position or Fund Equity

Deposits

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of one year or less from the date of acquisition. These investments are not specifically identified with any other fund.

The Town may invest in certificates of deposit, in time deposits, and in any securities in which State of Maine Statutes authorize them to invest in.

Accounts Receivable and Accounts Payable

All material receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are accounted for using the consumption method. Under this method, inventories are recorded as expenditures when used rather than when purchased. Inventory in the School Lunch Program consists of food, supplies and U.S.D.A. Donated Commodities.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The prepayments are charged to expenditures on the governmental fund financial statements over the period of their economic benefit. Amounts of governmental fund inventories are offset by a fund balance reserve account to indicate that they do not represent "available spending resources".

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure (e.g. roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital

assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed. Property, plant and equipment is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20-50
Infrastructure	50
Equipment	5-20

Interfund Transactions

During the course of normal operations, the Town has various transactions between funds, including transfers of revenues and expenditures. The accompanying governmental fund financial statements reflect such transactions as operating transfers.

Compensated Absences

Town employees are granted vacation and sick leave in varying amounts based on length of service. Sick leave is nonvesting thus, no provision is made on the financial statements. Vacation pay accumulation does not exceed a normal year's allowance and is vesting. An obligation for compensated absences is recorded on the government-wide statement of net assets for compensated vacation pay for employees.

Teachers may accumulate 140 days of sick leave at the rate of 13 days per year. Full time employees other than teachers accrue vacation and sick leave in varying amounts based on length of service. Vacation pay accumulation does not exceed a normal year's allowance. An obligation for compensated absences is recorded in the government wide balance sheet for compensated sick pay for employees eligible for retirement. Under the current contract provisions, teachers who have 10 or more years of service to the Department, and are eligible to retire are entitled to one fourth of their compensated sick pay at their per diem rate, up to a maximum of thirty days. In addition, the teacher must be eligible for retirement under the Maine Public Employees Retirement System.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. In the fund financial statements, governmental funds recognize the face amount of debt issued as other financing sources.

Governmental Fund Balances

The Town has applied GASB Statement No 54, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of its resources reported in governmental funds. As such, the Town has identified June 30, 2014 fund balances on the balance sheet as follows:

	<u>General Fund</u>	<u>Permanent Fund</u>	<u>Total</u>
<u>Nonspendable</u>			
School Lunch Inventory	\$1,119		\$1,119
Cemetery Trust Principal		\$14,750	\$14,750
Ministerial School Principal		\$1,595	\$1,595
Good Citizenship Award Principal		\$1,909	\$1,909
Adams Book Trust Principal		\$42,036	\$42,036
Jordan Trust Principal		\$109,922	\$109,922
<u>Restricted</u>			
Bicentennial School	\$331		\$331
Civil Defense Reserve	\$300		\$300

MDOT URIP Reserve	\$74,623		\$74,623
Cemetery Lot Sales Reserve	\$1,546		\$1,546
Recreation Reserve	\$4,032		\$4,032
SISS Sculpture	\$4,599		\$4,599
Education Reserve	\$747,707		\$747,707
State Revenue Sharing Reserve	\$97,507		\$97,507
Property Tax Reserve	\$80,000		\$80,000
<u>Committed</u>			
Construction Project	\$55,925		\$55,925
Fire Department Capital Reserve	\$132,366		\$132,366
Patten Pond Dam Improvements Reserve	\$111		\$111
Waterfront Capital Improvement Reserve	\$11,221		\$11,221
Memorial Park Reserve	\$2,050		\$2,050
School Operation Contingency Reserve	\$56,548		\$56,548
Scholarship Fund Reserve	\$15,404		\$15,404
Capital Reserve	\$21,450		\$21,450
Municipal Capital Outlay Reserve	\$112,551		\$112,551
<u>Assigned</u>			
Legal Reserve	\$49,641		\$49,641
Unified Development Ordinance Reserve	\$5,370		\$5,370
Boat Excise Reserve	\$13,701		\$13,701
Animal Control Reserve	\$2,474		\$2,474
Flag Fund Reserve	\$324		\$324
Coffee Reserve	(\$19)		(\$19)
Town Line Reserve	\$860		\$860
Shellfish Reserve	\$11,826		\$11,826
Excise Reserve	\$792,156		\$792,156
Cemetery Trust Income		(\$1,746)	(\$1,746)
Ministerial School Income		\$4,385	\$4,385
Good Citizenship Award Income		\$11	\$11
Adams Book Trust Income		\$10,927	\$10,927
Jordan Trust Income		\$53,801	\$53,801
<u>Unassigned</u>	\$634,629		\$634,629
<u>Total Fund Balances</u>	<u>\$2,930,353</u>	<u>\$237,590</u>	<u>\$3,167,943</u>

In accordance with Government Accounting Standards Board 54, fund balance reporting and governmental fund type definitions, the Town classifies governmental fund balances as follows:

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts are constrained due to constitutional provisions or enabling legislation.

Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through town meeting voting and does not lapse at year-end.

Assigned - includes fund balance amount that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balances may be assigned by the Board of Selectmen.

Unassigned - includes positive fund balance within the general fund which has not been classified within the above mentioned categories and negative fund balance in other governmental funds.

The Town considers restricted, committed, assigned and unassigned amounts to be spent in that order when expenditures are incurred for which any of those amounts are available.

The Board of Selectmen are authorized to make assignments pursuant to their appointment. Committed fund balances are determined based on the need of town meeting votes.

Net Position

Net position are required to be classified into three components - net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted - This component of net position consists of restrictions placed on net position use through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or law or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net position reports \$1,181,976 of restricted net position, of which enabling legislation restricts \$0.

Unrestricted - This component consists of net position that does not meet the definition of "restricted" or "net investment in capital assets".

E. Budgetary Accounting

Formal budgetary accounting is employed as a management control for the general fund only. Annual operating budgets are adopted each fiscal year by the registered voters of the Town at their annual Town meeting. Budgets are established in accordance with generally accepted accounting principles. Budgetary control is exercised at the selectman level, since individual department heads do not exist. All unencumbered budget appropriations lapse at the end of the year unless specifically designated by the Board of Selectmen or required by law.

F. Endowments

In the permanent funds, there are established endowment funds of \$1,909 for the Good Citizenship Fund, \$1,595 for the Ministerial Fund, \$14,750 for the Cemetery Trust Fund, \$109,922 for the Jordan Trust Fund and \$42,036 for the Adams Book Trust Fund. The investment earnings of these funds are used for the specific purposes that the funds were established for and shall be paid out by order of those persons responsible for administering the funds. State law directs that, subject to the intent of a donor expressed in the gift instrument, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment is established. The current amount available for expenditure is \$11 from the Good Citizenship Fund, \$4,385 from the Ministerial School Fund, \$(1,746) from the Cemetery Trust Fund, \$53,801 from the Jordan Trust Fund and \$10,927 from the Adams Book Trust Fund, which is reported as unrestricted net position in the statement of net position. The initial endowment principal is reported as restricted net position in the statement of net position.

G. Estimates

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

Note 2 - Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Town's deposit policy for custodial credit risk requires compliance with the provisions authorized by Maine State Statutes. The Town requires that, at the time funds are deposited, there is collateral in place to cover the deposits in excess of the FDIC insurance limits.

State Statutes require banks either to give bond or to pledge government securities (types of which are specifically identified in the Statutes) to the Town in the amount of the Town's deposits. The Statutes allow pledged securities to be reduced by the amount of the deposits insured by the Federal Deposit Insurance Corporation (FDIC).

The financial institutions holding the Town's cash accounts is participating in the FDIC Transaction Account Guarantee Program. Under the program, all accounts, including noninterest bearing accounts, are aggregated and are insured up to \$250,000 in total by the FDIC. Any cash deposits, including certificates of deposit, in excess of the \$250,000 FDIC limits are not covered by collateral and thus, custodial credit risk could exist. In order to avoid having unprotected deposits in excess of the \$250,000 FDIC limits, the Town invests excess funds into a sweep repurchase account that is separately collateralized by U.S. Treasury Securities. For excess deposits not in the sweep repurchase account, the financial institution has purchased additional collateral in the name of the Town to protect those additional deposits.

At year end, the carrying value of the Town's deposits was \$2,566,664 and the bank balance was \$2,701,540. The Town has no uninsured and uncollateralized deposits as of June 30, 2014.

Investments

At year end, the Town's Governmental Fund investment balances were as follows:

	Fair Market	Maturities (yrs)		
	Value	Less than 1 yr	1-5 yrs	Long-term
Common Stock	\$89,019	\$89,019		
Bonds	\$54,313	\$54,313		
U.S. Government Securities	\$49,351		\$30,074	\$19,277
Money Market	\$24,003	\$24,003		
U.S. Treasury Securities - Agencies	\$409,936	\$409,936		
	<u>\$626,622</u>	<u>\$577,271</u>	<u>\$30,074</u>	<u>\$19,277</u>

Generally, the Town's investing activities are managed under the custody of the Town Treasurer. Investing is performed in accordance with State Statutes. The Town may legally invest in U.S. Government securities and agencies, U.S. Government sponsored agencies and in bank repurchase agreements.

Custodial credit risk - for an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investment securities that are in the possession of an outside party. As a means of limiting its exposure to custodial credit risk, the Town requires that, at the time funds are invested, collateral for repurchase agreements be held in the Town's name by a custodial agent for the term of the agreement and investments in obligations of the United States or its agencies be held by the Federal Reserve.

Interest rate risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town invests in short-term repurchase obligations and short-term investments held by a local banking institution. Money market, common stock and mutual funds are presented as investments with a maturity of less than one year because they are redeemable in full immediately.

Credit risk - credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town limits its investments to those authorized by Maine State Statutes, which authorize the Town to make deposits/investments in insured commercial banks, insured credit union and direct debt securities of the United States Government unless such an investment is expressly prohibited by law.

Note 3 - Property Taxes

Property taxes were assessed on April 1, 2013 and committed on July 17, 2013. Interest of 7.00% per annum is charged on delinquent taxes. Tax liens are recorded on property taxes remaining unpaid nine to ten months after the commitment date. Tax liens unpaid for a period of eighteen months expire and the property becomes tax acquired by the Town. For governmental funds, only property taxes which are intended to finance the current fiscal year and collected within 60 days subsequent to year-end are recorded as revenue. Accordingly, \$84,947 of the property taxes receivable have been classified as unearned property tax revenue on the general fund balance sheet.

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
<u>Governmental Activities:</u>				
<u>Capital assets not being depreciated</u>				
Land	\$191,360			\$191,360
<u>Capital assets being depreciated</u>				
Buildings and Improvements	\$1,980,003	\$14,313		\$1,994,316
Equipment	\$464,496	\$12,780		\$477,276
Infrastructure	\$8,609,545	\$49,113		\$8,658,659
<i>Total capital assets being depreciated</i>	<i>\$11,054,044</i>	<i>\$76,206</i>	<i>\$0</i>	<i>\$11,130,250</i>
<u>Less accumulated depreciation for</u>				
Buildings and Improvements	\$890,868	\$45,583		\$936,451
Equipment	\$370,792	\$13,656		\$384,448
Infrastructure	\$4,824,144	\$202,271		\$5,026,415
<i>Total accumulated depreciation</i>	<i>\$6,085,804</i>	<i>\$261,510</i>	<i>\$0</i>	<i>\$6,347,314</i>
<i>Net capital assets being depreciated</i>	<i>\$4,968,240</i>	<i>(\$185,304)</i>	<i>\$0</i>	<i>\$4,782,936</i>
<u>Governmental Activities, Capital Assets, net</u>	<u>\$5,159,600</u>	<u>(\$185,304)</u>	<u>\$0</u>	<u>\$4,974,296</u>

Depreciation expense was charged to functions/programs of the primary government as follows;

Governmental Activities

General Government	\$9,063
Public Safety	\$7,878
Education	\$33,758
Recreation	\$272
Public Works, including depreciation of general infrastructure assets	\$210,539
Total Depreciation Expense - Governmental Activities	<u>\$261,510</u>

Note 5 - Interfund Balances and Activity

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. They are classified as Due from Other Funds, with an offsetting payable classified as Due to Other Funds. At June 30, 2014, the offsetting receivable and payable balances were \$6,800, which represent a budgeted cemetery trust transfer to the general fund and perpetual care money to be transferred from the general fund to the cemetery trust. These amounts are expected to be repaid within the next year.

Note 6 - Obligation Under Contracted Services

An obligation for July 2014 and August 2014 salaries for employees under September 2013 through August 2014 contracts is being recorded on the general fund balance sheet. This obligation, along with the obligation for compensated absences represents Generally Accepted Accounting Principles (GAAP) reporting for the school department as compared to the reporting method used by the school department.

Note 7 - Long-Term Debt

The following is a summary of long-term Debt transactions of the Town of Surry for the fiscal year ended June 30, 2014:

<u>Long-Term Debt payable at July 1, 2013</u>	\$10,669
Long-Term Debt Proceeds	\$0
Long-Term Debt retired	(\$2,584)
<u>Long-Term Debt payable June 30, 2014</u>	<u>\$8,085</u>

General Obligation bonds and notes are direct obligations and pledge the full faith and credit of the Town of Surry, Maine. Outstanding notes at June 30, 2014 are as follows:

In September 2012, the Surry School Department entered into a financing agreement with U.S. Bank for the purpose of upgrading photocopiers. The debt is for five years with interest at 6%. The monthly payment totals \$114. The balance at June 30, 2014 was \$4,300. This lease is accounted for as a capital lease.

In August 2011, the Town entered into a municipal lease agreement with Gorham Leasing for the purchase of a copier. The lease is for 63 months with interest at 4.109%. The monthly payment totals \$142.00. The balance at June 30, 2014 was \$3,785. This lease is accounted for as a capital lease.

Annual debt service requirements to maturity, including estimated interest are as follows:

<i>Fiscal Year</i>		<i>Estimated</i>	
<i>Ended</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2015	\$2,714	\$358	\$3,072
2016	\$2,852	\$220	\$3,072
2017	\$1,847	\$89	\$1,936
2018	\$672	\$12	\$684
	<u>\$8,085</u>	<u>\$679</u>	<u>\$8,764</u>

Note 8 - Defined Benefit Employer Pension Plan

Most employees of the School Department participate in the Maine Public Employees Retirement System. The Maine Public Employees Retirement System is a multiple-employer, cost-sharing pension plan. Benefits provided by the Maine Public Employees Retirement System arise from employee and employer contributions determined on a statutory actuarial reserve basis.

School Department employees are eligible for normal retirement at age 60, provided that they have 25 years of service credited under the System. School District employees over age 60 who become permanently disabled receive normal retirement benefits. School Department employees under the age of 60 who become permanently disabled receive 2/3 of their average final compensation, reduced by other forms of disability benefits received.

School Department employees contribute 7.65% of their salaries to the Retirement System while the School Department's share is the responsibility of the State of Maine. The School Department is responsible for the employer contributions for employees paid with Federal funds. The cost of these benefits is charged to the applicable Federally funded program. The School Department's total earnings covered by the program were \$565,503 for the fiscal year ended June 30, 2014. Employee contributions totaled \$45,144. Employer contributions made to the pooled account by the State, estimated at a rate of 13.03% are \$73,685. Employer contributions made by the School Department for Federal programs totaled \$3,323. A financial report for the Maine Public Employees Retirement System can be obtained at: Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333-0046.

Note 9 - Restricted Net Position

The Town reports restricted net position totaling \$1,181,976 on its statement of net position. This restricted net position represents the nonspendable and restricted fund balances detailed in the governmental fund balance note above.

Note 10 - Commitment and Contingencies

The School Department participates in a number of federal and state assisted grant programs. These programs are subject to financial and compliance audits. The amount of expenditures, if any, which may be disallowed by the granting agencies is not determinable at this time, however, the School Department does not believe such amounts would be significant.

Note 11 - Risk Management

The Town participates in Public Entity Risk Pools for the purposes of Workers Compensation, Property and Liability Insurance and Unemployment Compensation. The Public Entity Risk Pool is administered by the Maine Municipal Association. The Public Entity Risk Pools were established for the purposes of lowering costs for members and for developing specific programs to control losses. Members pay annual premiums to the Maine Municipal Association for participation in the respective programs.

The Town is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which it carries municipal and commercial insurance. The Town is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2014.

Note 12 - Pending Litigation

According to management, there are no matters that would result in material adverse losses, claims or assessments against the Town through the date of the audit report.

Note 13 - Transfer Station Joint Venture - Ongoing Financial Interest and Financial Responsibility

In 1984, the Town of Surry entered into an "Interlocal Cooperation Agreement" with the adjoining Town of Blue Hill to provide for the disposal of solid wastes generated within the territories. The Town of Surry is responsible for one third (1/3) of all capital expenditures and operating expenses. A separate board of directors known as the Solid Waste Committee governs the operations of the joint venture. The original agreement was for a ten year period and has since been renewed and amended. Title all property shall remain (1/3) Surry and (2/3) Blue Hill. The participant's shares are as follows;

	<i>Surry</i> <i>(1/3 Share)</i>	<i>Blue Hill</i> <i>(2/3 Share)</i>	<i>12/31/13</i> <i>Total</i>
Assets	\$617,067	\$1,234,134	\$1,851,201
Liabilities	\$8,625	\$17,249	\$25,874
Deferred Inflows	\$614	\$1,227	\$1,841
Net Position	\$607,829	\$1,215,658	\$1,823,487
Revenues	\$256,625	\$513,251	\$769,876
Expenses	\$213,283	\$426,566	\$639,849
Changes in Net Position	\$43,342	\$86,685	\$130,027

Although the Town of Surry is 1/3 owner in the Transfer Station, voting rights are equally shared by the two Towns. The Town of Surry has explicit and measurable right to 1/3 of the Transfer Station's net resources as per the Transfer Station's interlocal agreement. The continued existence of the Transfer Station is dependent upon the continued funding by the Town of Surry. The Town's investment in the joint venture is reported in the general fixed asset account group since the Transfer Station is presently accounted for as a governmental fund by management. Presently, payroll and related benefits are paid by the Town of Blue Hill and reimbursed by the Transfer Station. A copy of the Blue Hill/Surry Transfer Station audit is available at the Blue Hill and Surry Town Offices.

TOWN OF SURRY, MAINE

(Exhibit V)

REQUIRED SUPPLEMENTARY INFORMATIONSCHEDULE OF REVENUES AND EXPENDITURESBUDGET AND ACTUAL - GENERAL FUNDFOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenues:</u>				
Tax Revenues	\$2,284,165	\$2,284,165	\$2,323,219	\$39,054
Homestead Reimbursement	\$16,576	\$16,576	\$16,576	\$0
Excise Taxes	\$222,314	\$222,314	\$276,352	\$54,038
Municipal Revenue Sharing	\$0	\$0	\$26,532	\$26,532
Highway Block Grant	\$22,500	\$22,500	\$29,824	\$7,324
Tree Growth Reimbursement & Penalties	\$13,870	\$13,870	\$16,501	\$2,631
Gain on Sale of Tax Acquired Property	\$0	\$0	\$26,843	\$26,843
Licenses, Permits and Fees	\$0	\$0	\$14,524	\$14,524
Interest Earned	\$0	\$0	\$15,183	\$15,183
Interest and Fees on Delinquent Taxes	\$0	\$0	\$19,504	\$19,504
Veteran's Reimbursement	\$0	\$0	\$1,031	\$1,031
Other Revenues	\$26	\$26	\$37,834	\$37,809
<u>Total Revenues</u>	<u>\$2,559,451</u>	<u>\$2,559,451</u>	<u>\$2,803,924</u>	<u>\$244,473</u>
<u>Expenditures (Net of Department Revenues):</u>				
General Government	\$341,431	\$341,431	\$229,270	\$112,161
Public Safety	\$75,606	\$75,606	\$64,519	\$11,087
Public Works	\$359,564	\$359,564	\$308,484	\$51,080
Parks & Recreation	\$14,170	\$14,170	\$12,664	\$1,506
Health & Human Services	\$35,770	\$35,770	\$29,696	\$6,074
Education	\$1,748,244	\$1,748,244	\$1,975,250	(\$227,005)
Assessments & Debt Service	\$229,094	\$229,094	\$156,324	\$72,770
<u>Total Expenditures</u>	<u>\$2,803,879</u>	<u>\$2,803,879</u>	<u>\$2,776,206</u>	<u>\$27,673</u>
<u>Excess Revenues Over Expenditures</u>	<u>(\$244,428)</u>	<u>(\$244,428)</u>	<u>\$27,718</u>	<u>\$272,146</u>
<u>Beginning Fund Balances</u>	<u>\$2,902,635</u>	<u>\$2,902,635</u>	<u>\$2,902,635</u>	<u>\$0</u>
<u>Ending Fund Balances</u>	<u>\$2,658,207</u>	<u>\$2,658,207</u>	<u>\$2,930,353</u>	<u>\$272,146</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

TOWN OF SURRY, MAINE

(Exhibit A-1)

SCHEDULE OF DEPARTMENTAL OPERATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budget</u>	<u>Actual Expenditure</u>	<u>Transfer to (from) Reserve</u>	<u>Unexpended or (Overdraft)</u>
<u>Non Continuing Appropriation Accounts:</u>				
<u>General Government</u>				
Administration	\$165,148	\$141,355	\$14,340	\$9,452
Assessing	\$23,130	\$24,303		(\$1,173)
Planning Board & Board of Appeals	\$2,900	\$1,210		\$1,690
Insurance	\$14,000	\$12,967		\$1,033
Code Enforcement	\$12,303	\$7,602		\$4,701
Municipal Building Operations	\$25,850	\$15,492		\$10,358
Conservation Commission	\$1,500	\$998		\$502
Employee Benefits	\$13,100	\$10,814		\$2,286
	<u>\$257,931</u>	<u>\$214,742</u>	<u>\$14,340</u>	<u>\$28,848</u>
<u>Public Safety</u>				
Fire Department Operations	\$38,900	\$34,183		\$4,718
Fire Department Equipment	\$12,000	\$6,891		\$5,109
Ambulance	\$14,881	\$14,792		\$89
Harbor Master	\$500	\$0		\$500
Animal Control Officer	\$3,375	\$2,929	\$446	\$0
911 Addressing	\$3,200	\$3,341		(\$141)
Street Lights	\$1,650	\$2,383		(\$733)
	<u>\$74,506</u>	<u>\$64,519</u>	<u>\$446</u>	<u>\$9,541</u>
<u>Public Works</u>				
Road Commissioner	\$7,900	\$7,882	\$18	\$0
Winter Roads	\$134,764	\$136,967	(\$2,203)	\$0
Town Roads & Bridges	\$34,500	\$42,304	(\$7,804)	\$0
Cutting Roadside Bushes	\$5,000	\$5,087	(\$87)	\$0
Road Reconstruction	\$56,000	\$75	\$55,925	\$0
Paving	\$0			\$0
Cemeteries	\$14,000	\$9,323		\$4,677
Septic Sludge Disposal	\$2,400	\$2,466		(\$66)
Solid Waste Transfer Station	\$105,000	\$104,380		\$620
	<u>\$359,564</u>	<u>\$308,484</u>	<u>\$45,849</u>	<u>\$5,231</u>
<u>Parks & Recreation</u>				
Recreation Programs	\$3,420	\$1,199		\$2,221
Memorial Park	\$3,200	\$3,322	(\$122)	(\$0)
Waterways	\$6,300	\$3,146	\$3,154	\$0
Osgood Lot	\$5,250	\$3,563		\$1,687
	<u>\$18,170</u>	<u>\$11,230</u>	<u>\$3,032</u>	<u>\$3,908</u>

TOWN OF SURRY, MAINE

(Exhibit A-1)

SCHEDULE OF DEPARTMENTAL OPERATIONS - CONTINUEDFOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budget</u>	<u>Actual Expenditures</u>	<u>Transfer to (from) Reserve</u>	<u>Unexpended or (Overdraft)</u>
<u>Health & Human Services</u>				
General Assistance	\$11,370	\$7,019		\$4,351
Libraries	\$12,000	\$12,000		\$0
Community Service Agencies	\$10,400	\$10,400		\$0
SISS Projects	\$1,000	\$134	\$866	\$0
Historical Society (Old Town Hall)	\$1,000	\$143		\$857
	<u>\$35,770</u>	<u>\$29,696</u>	<u>\$866</u>	<u>\$5,208</u>
<u>Overlay</u>	\$72,544	\$0		\$72,544
<u>Assessments & Debt Service</u>				
County Tax	\$141,550	\$141,550		\$0
Contingency	\$15,000	\$14,774		\$226
	<u>\$156,550</u>	<u>\$156,324</u>	<u>\$0</u>	<u>\$226</u>
<u>Totals</u>	<u>\$975,034</u>	<u>\$784,995</u>	<u>\$64,534</u>	<u>\$125,506</u>

TOWN OF SURRY, MAINE

(Exhibit A-2)

SCHEDULE OF CHANGES IN UNASSIGNED FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Beginning Unassigned Fund Balance \$619,571

Additions:

Lapsed Accounts (Exhibit A-1)	\$125,506
Decrease in Unearned Tax Revenue	\$36,427
Tree Growth Reimbursements and Penalties (net of appropriation)	\$2,631
Supplemental Taxes	\$14,995
Gain on Sale of Tax Acquired Property	\$26,843
Interest Earned	\$12,836
Interest on Delinquent Taxes	\$19,504
Licenses, Permits & Fees	\$13,798
Veteran's Reimbursement	\$1,020
Other Revenues	<u>\$18,294</u>

Total Additions \$271,854

Reductions:

Appropriated Revenues	\$244,428
Abatements	<u>\$12,369</u>

Total Reductions \$256,797

Ending Unassigned Fund Balance \$634,629

TOWN OF SURRY, MAINE

(Exhibit A-3)

SCHEDULE OF VALUATION, COMMITMENT AND COLLECTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<u>Total Taxable Valuation</u>		\$311,381,800
Tax Rate per \$1,000 Valuation		<u>\$7.34</u>
<u>Tax Assessment</u>		\$2,284,165
<u>Collections and Adjustments:</u>		
Cash Collections	\$2,160,307	
Abatements Granted	\$11,786	
Supplemental Taxes	<u>(\$12,382)</u>	
<u>Total Collections and Adjustments</u>		<u>\$2,159,711</u>
<u>Uncollected Taxes June 30, 2014</u>		<u><u>\$124,455</u></u>

TOWN OF SURRY, MAINE

SCHEDULE OF CHANGES IN DESIGNATED FUND BALANCES - GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>7/1/2013 Balance</u>	<u>Revenue Appropriations</u>	<u>Interest Earned</u>
<u>General Administration:</u>			
Legal Services	\$35,300		
Unified Development Ordinance	\$6,870		
Municipal Capital Outlay	\$106,964	\$5,000	\$587
Property Tax Reserve	\$0	\$80,000	
<u>Public Safety:</u>			
Fire Department Capital	\$126,675	\$5,000	\$691
Civil Emergency Preparedness	\$300		
Animal Control	\$2,902		
Boat Excise	\$16,013		
<u>Public Works:</u>			
M.D.O.T. RRIP	\$66,934		\$365
Cemetery Capital Outlay	\$1,266		
Town Line	\$860		
Construction Project	\$0		
<u>Education:</u>			
Education	\$975,696	\$1,748,244	\$135
School Operation Contingency	\$56,242		\$307
Scholarship	\$15,321		\$83
Bicentennial School	\$331		
<u>Parks & Recreation:</u>			
Recreation	\$3,581		
Memorial Park	\$2,152		\$20
Waterfront Improvement Capital	\$8,023		\$44
Patten Pond Dam Improvement	\$4,111		
Shellfish Program	\$11,826		
<u>Other:</u>			
Excise Taxes	\$748,182		
Capital Improvements	\$21,334		\$117
SISS Sculpture	\$709		
Flag Fund	\$324		
Coffee Fund	\$173		
State Revenue Sharing	\$70,975		
<u>Totals</u>	<u>\$2,283,065</u>	<u>\$1,838,244</u>	<u>\$2,347</u>

<i>Other Revenues</i>	<i>Total Available</i>	<i>Transfers In/(Out)</i>	<i>Expenditures</i>	<i>Expenditure Appropriations</i>	<i>6/30/2014 Balance</i>
	\$35,300	\$14,340			\$49,641
	\$6,870			\$1,500	\$5,370
	\$112,551				\$112,551
	\$80,000				\$80,000
	\$132,366				\$132,366
	\$300				\$300
\$726	\$3,628	\$446		\$1,600	\$2,474
\$4,988	\$21,001			\$7,300	\$13,701
\$29,824	\$97,123			\$22,500	\$74,623
\$280	\$1,546				\$1,546
	\$860				\$860
	\$0	\$55,925			\$55,925
\$323,660	\$3,047,736		\$2,298,909		\$748,826
	\$56,548				\$56,548
	\$15,404				\$15,404
	\$331				\$331
\$1,885	\$5,466		\$1,434		\$4,032
	\$2,172	(\$122)			\$2,050
	\$8,067	\$3,154			\$11,221
	\$4,111			\$4,000	\$111
	\$11,826				\$11,826
\$271,364	\$1,019,546	(\$10,076)		\$217,314	\$792,156
	\$21,450				\$21,450
\$16,972	\$17,681	\$866	\$13,948		\$4,599
	\$324				\$324
\$388	\$561		\$580		(\$19)
\$26,532	\$97,507				\$97,507
<u>\$676,619</u>	<u>\$4,800,276</u>	<u>\$64,534</u>	<u>\$2,314,871</u>	<u>\$254,214</u>	<u>\$2,295,724</u>

TOWN OF SURRY, MAINE

(Exhibit A-5)

COMBINED BALANCE SHEET - PERMANENT FUNDSJUNE 30, 2014

	<u>Good Citizen- ship Award</u>	<u>Ministerial School Trust</u>	<u>Cemetery Trust</u>	<u>Jordan Trust</u>	<u>Adams Book Trust</u>	<u>Total</u>	<u>2013</u>
<u>Assets</u>							
Cash & Cash Equivalents	\$1,920	\$5,980	\$15,884			\$23,784	\$23,656
Investments, at Fair Market Value				\$163,723	\$52,963	\$216,686	\$202,204
Due from Other Funds			\$2,520			\$2,520	\$1,400
<u>Total Assets</u>	<u>\$1,920</u>	<u>\$5,980</u>	<u>\$18,404</u>	<u>\$163,723</u>	<u>\$52,963</u>	<u>\$242,990</u>	<u>\$227,260</u>
<u>Liabilities</u>							
Due to Other Funds			\$5,400			\$5,400	\$5,400
<u>Total Liabilities</u>	<u>\$0</u>	<u>\$0</u>	<u>\$5,400</u>	<u>\$0</u>	<u>\$0</u>	<u>\$5,400</u>	<u>\$5,400</u>
<u>Fund Balances</u>							
Restricted	\$1,909	\$1,595	\$14,750	\$109,922	\$42,036	\$170,212	\$168,052
Unrestricted	\$11	\$4,385	(\$1,746)	\$53,801	\$10,927	\$67,378	\$53,808
<u>Total Fund Balances</u>	<u>\$1,920</u>	<u>\$5,980</u>	<u>\$13,004</u>	<u>\$163,723</u>	<u>\$52,963</u>	<u>\$237,590</u>	<u>\$221,860</u>
<u>Total Liabilities and Fund Balances</u>	<u>\$1,920</u>	<u>\$5,980</u>	<u>\$18,404</u>	<u>\$163,723</u>	<u>\$52,963</u>	<u>\$242,990</u>	<u>\$227,260</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

TOWN OF SURRY, MAINE

(Exhibit A-6)

COMBINED STATEMENT OF REVENUES, EXPENSES & CHANGESIN FUND BALANCE - PERMANENT FUNDSFOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Good Citizen- ship Award</u>	<u>Ministerial School Trust</u>	<u>Cemetery Trust</u>	<u>Jordan Trust</u>	<u>Adams Book Trust</u>	<u>Total</u>	<u>2013</u>
<u>Revenues:</u>							
Perpetual Care			\$1,120			\$1,120	\$560
Investment Earnings, net of Fees	\$10	\$32	\$85	\$3,012	\$941	\$4,080	\$4,297
Investment Gains (Losses)				\$3,155	\$985	\$4,141	\$4,243
Increase (Decrease) in Fair Market Value				\$8,426	\$2,631	\$11,057	\$5,797
<u>Total Revenue</u>	<u>\$10</u>	<u>\$32</u>	<u>\$1,205</u>	<u>\$14,593</u>	<u>\$4,557</u>	<u>\$20,398</u>	<u>\$14,897</u>
<u>Expenses:</u>							
Good Citizenship Award						\$0	\$100
Scholarships				\$3,000		\$3,000	\$3,000
Bank Charges				\$1,271	\$397	\$1,668	\$1,686
<u>Total Expenses</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$4,271</u>	<u>\$397</u>	<u>\$4,668</u>	<u>\$4,786</u>
<u>Excess Revenue over Expenses</u>	<u>\$10</u>	<u>\$32</u>	<u>\$1,205</u>	<u>\$10,322</u>	<u>\$4,160</u>	<u>\$15,730</u>	<u>\$10,111</u>
<u>Other Financing Sources (Uses):</u>							
Operating Transfers In						\$0	\$358
Operating Transfers Out						\$0	(\$1,400)
<u>Excess Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</u>	<u>\$10</u>	<u>\$32</u>	<u>\$1,205</u>	<u>\$10,322</u>	<u>\$4,160</u>	<u>\$15,730</u>	<u>\$9,070</u>
<u>Beginning Fund Balance</u>	<u>\$1,910</u>	<u>\$5,948</u>	<u>\$11,798</u>	<u>\$153,401</u>	<u>\$48,803</u>	<u>\$221,860</u>	<u>\$212,790</u>
<u>Ending Fund Balance</u>	<u>\$1,920</u>	<u>\$5,980</u>	<u>\$13,004</u>	<u>\$163,723</u>	<u>\$52,963</u>	<u>\$237,590</u>	<u>\$221,860</u>
<u>Analysis of Fund Balance:</u>							
Nonexpendable Principal - Beg of Year	\$1,909	\$1,595	\$13,630	\$109,922	\$40,996	\$168,052	\$166,743
Additions (Reductions) to Principal			\$1,120		\$1,040	\$2,160	\$1,309
Nonexpendable Principal - End of Year	\$1,909	\$1,595	\$14,750	\$109,922	\$42,036	\$170,212	\$168,052
Expendable	\$11	\$4,385	(\$1,746)	\$53,801	\$10,927	\$67,378	\$53,808
<u>Total Fund Balance</u>	<u>\$1,920</u>	<u>\$5,980</u>	<u>\$13,004</u>	<u>\$163,723</u>	<u>\$52,963</u>	<u>\$237,590</u>	<u>\$221,860</u>

The Notes to the Financial Statements are an Integral Part of this Statement.