

The University of Maine

DigitalCommons@UMaine

Maine Town Documents

Maine Government Documents

2016

Town of Surry Maine Annual Audited Financial Report 2016

Surry, Me

Follow this and additional works at: <https://digitalcommons.library.umaine.edu/towndocs>

This Financial Report is brought to you for free and open access by DigitalCommons@UMaine. It has been accepted for inclusion in Maine Town Documents by an authorized administrator of DigitalCommons@UMaine. For more information, please contact um.library.technical.services@maine.edu.

James W. Wadman

CERTIFIED PUBLIC ACCOUNTANT

James W. Wadman, C.P.A.
Ronald C. Bean, C.P.A.
Kellie M. Bowden, C.P.A.
Wanese L. Lynch, C.P.A.
Amy E. Atherton, C.P.A.

Communications with Those Charged with Governance

November 29, 2016

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

We have audited the financial statements of the governmental activities and each major fund of the Town of Surry, Maine (the Town) for the fiscal year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 15, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2016. We noted no transactions entered into by the Town during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the capital asset depreciation is based on estimated useful lives of the assets at the date of construction or acquisition. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of deferred outflows, deferred inflows and unfunded pension liability related to the Maine Public Employees Retirement System defined benefit plan. We evaluated the key factors and assumptions used to develop the deferred outflows, deferred inflows and unfunded pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Some of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole. The material adjustments noted represented recording current year accounts receivable and accounts payable primarily related to the school department, school/town reconciliation adjustments, correcting appropriation entries and closing revenues and expenditures to reserves.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 29, 2016.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Town's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Matters or Recommendations

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Town's auditors.

We applied certain limited procedures to Management's Discussion and Analysis and the Budgetary Comparison Schedule, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the other supplementary information in Exhibit A-1 through A-8, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Members of the Board of Selectmen and management of the Town and is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully Submitted,

James W. Wadman, C.P.A.

James W. Wadman, C.P.A.

TOWN OF SURRY, MAINE

*FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT*

*FOR THE FISCAL YEAR
ENDED JUNE 30, 2016*

TOWN OF SURRY, MAINE
FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

TABLE OF CONTENTS

	PAGE(S)
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-6
 EXHIBIT	
<u>BASIC FINANCIAL STATEMENTS</u>	
<u>Government-wide Financial Statements</u>	
I Statement of Net Position	7
II Statement of Activities	8
<u>Governmental Fund Financial Statements</u>	
III Balance Sheet	9
IV Statement of Revenues, Expenditures and Changes in Fund Balances	10-11
 NOTES TO THE FINANCIAL STATEMENTS	12-23
 <u>REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS</u>	
V Budgetary Comparison Schedule - General Fund	24
<u>Pension Disclosure Schedules</u>	
VI Proportionate Share of Net Pension Liability	25
VII Employer Contributions	26
 <u>SUPPLEMENTARY INFORMATION</u>	
<u>General Fund</u>	
A-1 Schedule of Departmental Operations	27-28
A-2 Schedule of Changes in Unassigned Fund Balance	29
A-3 Schedule of Valuation, Assessment and Collections	30
A-4 Schedule of Reserve Funds	31-32
<u>Special Revenue Funds</u>	
A-5 Statement of Revenues, Expenditures and Changes in Fund Balances - Special Revenue Fund	33
<u>Permanent Funds</u>	
A-6 Combined Balance Sheet - Permanent Funds	34
A-7 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Permanent Funds	35
A-8 Schedule of Expenditures of Federal Awards	36

James W. Wadman

Certified Public Accountant

Telephone 207-667-6500

Facsimile 207-667-3636

James W. Wadman, C.P.A.

Ronald C. Bean, C.P.A.

Kellie M. Bowden, C.P.A.

Wanese L. Lynch, C.P.A.

Amy E. Atherton, 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, each major fund and the aggregate remaining fund information of the Town of Surry, Maine (the Town) as of and for the fiscal year ended June 30, 2016, including 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 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, each major fund and the aggregate remaining fund information of the Town of Surry, Maine as of June 30, 2016, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension disclosure schedules on pages 3 through 6 and 24 through 26 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Surry, Maine's financial statements. The combining and individual nonmajor fund financial statements and supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the State of Maine, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and 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 financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Respectfully Submitted,

James W. Wadman, C.P.A.

James W. Wadman, C.P.A.
November 29, 2016

TOWN OF SURRY, MAINE
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

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, 2016. 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, 2016 by \$7,782,391 (presented as “net position”). Of this amount, \$2,141,856 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 \$150,539 (a 1.9% decrease) for the fiscal year ended June 30, 2016.

Fund Highlights:

Governmental Funds – Fund Balances – As of the close of the fiscal year ended June 30, 2016; the Town's governmental funds reported a combined ending fund balance of \$2,666,915, a decrease of \$226,811 in comparison with the prior year. Of this total fund balance, \$599,196 represents general unassigned fund balance. This unassigned fund balance represents approximately 17.9% of the total general fund expenditures for the fiscal year.

Long-term Debt:

The Town's total long-term debt obligations increased \$1,500 (14.4%) during the current fiscal year. There was a new debt obligation recognized for a capital lease of an additional school copier. 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 - 23 of this report.

Required Supplementary Information

This section includes pension disclosure schedules and 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 pages 24-26 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

The largest portion of the Town's net position (65.1%) 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.

	<i>Governmental Activities</i>	<i>Business-like Activities</i>	<i>Total 2016</i>	<i>Total 2015</i>
Current Assets	\$ 3,142,629	\$ 0	\$ 3,142,629	\$ 3,298,825
Capital Assets	\$ 5,077,273	\$ 0	\$ 5,077,273	\$ 5,024,345
Deferred Outflows	\$ 34,761		\$ 34,761	\$ 11,538
<i>Total Assets and Deferred Outflows</i>	\$ 8,254,663	\$ 0	\$ 8,254,663	\$ 8,334,708
Current Liabilities	\$ 395,246	\$ 0	\$ 395,246	\$ 317,512
Other Liabilities	\$ 40,212	\$ 0	\$ 40,212	\$ 30,961
Deferred Inflows	\$ 36,814	\$ 0	\$ 36,814	\$ 53,305
Net Position;				
Invested in Capital Assets	\$ 5,065,392	\$ 0	\$ 5,065,392	\$ 5,013,965
Restricted	\$ 575,144	\$ 0	\$ 575,144	\$ 871,215
Unrestricted	\$ 2,141,855	\$ 0	\$ 2,141,855	\$ 2,047,750
<i>Total Liabilities and Net Position</i>	\$ 8,254,663	\$ 0	\$ 8,254,663	\$ 8,334,708

An additional portion of the Town's net position (7.4%) represents resources that are subject to external restrictions on their use. The remaining balance of unrestricted net position (27.5%) may be used to meet the government's ongoing obligations to citizens and creditors.

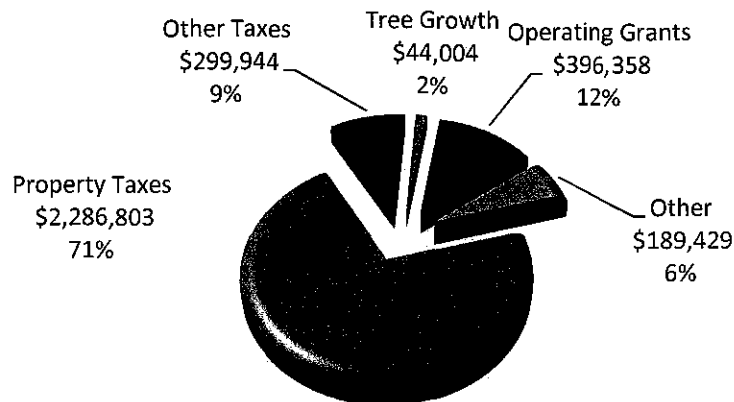
Changes in Net Position

Governmental activities decreased the Town's net position by \$150,539. This decrease was primarily due to depreciation offset by conservative budgeting and controlled costs.

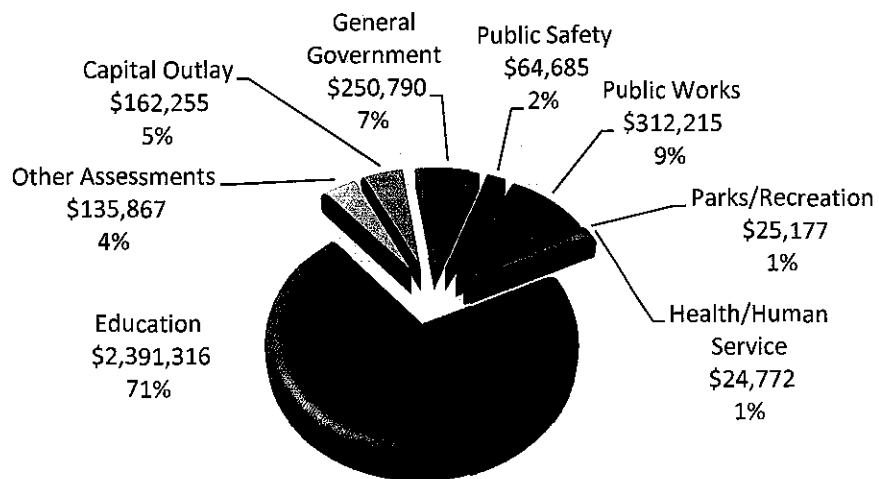
	<i>Governmental Activities</i>	<i>Business-like Activities</i>	<i>Total 2016</i>	<i>Total 2015</i>
<i>Revenues;</i>				
Tax Revenues	\$ 2,586,747	\$ 0	\$ 2,586,747	\$ 2,572,745
Program Revenues	\$ 428,228	\$ 0	\$ 428,228	\$ 267,720
Investments	\$ 55,251	\$ 0	\$ 55,251	\$ 23,674

Revenue Sharing	\$ 24,884	\$ 0	\$ 24,884	\$ 24,285
Other	\$ 121,428	\$ 0	\$ 121,428	\$ 36,340
<i>Total Revenues</i>	\$ 3,216,538	\$ 0	\$ 3,216,538	\$ 2,924,764
<i>Expenses;</i>				
General Government	\$ 250,790	\$ 0	\$ 250,791	\$ 107,647
Public Safety	\$ 64,685	\$ 0	\$ 64,685	\$ 70,034
Public Works	\$ 312,215	\$ 0	\$ 312,215	\$ 482,559
Parks & Recreation	\$ 25,177	\$ 0	\$ 25,177	\$ 16,662
Health & Human Services	\$ 24,772	\$ 0	\$ 24,772	\$ 23,940
Education	\$ 2,391,316	\$ 0	\$ 2,391,316	\$ 2,374,579
Assessments & Debt Service	\$ 135,867	\$ 0	\$ 135,867	\$ 135,514
Capital Outlay	\$ 162,255		\$ 162,255	
<i>Total Expenses</i>	\$ 3,367,077	\$ 0	\$ 3,367,077	\$ 3,210,935
Changes in Net Position	\$ (150,539)	\$ 0	\$ (150,539)	\$ (286,171)

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 \$2,666,915, a decrease of \$226,811 in comparison with the prior fiscal year. Approximately 22.5 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:

- \$47,444 positive variance in excise tax revenues. This is due to conservative budgeting.
- \$24,884 positive variance in state revenue sharing revenues. This is due to the fact that state revenue sharing is unbudgeted.
- \$49,270 positive variance in sale of tax acquired property revenue. This is due to the sale of three properties during the year.
- \$31,301 positive variance in tree growth penalty revenue. This is due to conservative budgeting.
- \$110,999 positive variance in all other revenues. This is primarily due to conservative budgeting.
- \$126,518 positive variance in net education revenue and 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.
- \$39,441 positive variance in general government expenditures. This is primarily due to conservative budgeting and controlled costs.
- \$34,652 positive variance in public safety expenditures. This is primarily due to conservative budgeting as well as budgeting to increase the fire department capital reserve.
- \$32,670 positive variance in assessment expenditures. This is primarily due to budgeted overlay.
- \$4,067 positive variance in all other expenditures. This is due to budgeting to increase the reserve for the old school house offset by increased expenditures in public works which was partially reimbursed by insurance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental activities amounts to \$11,963,584; net of accumulated depreciation of \$6,886,311, leaving a net book value of \$5,077,273. There were current year additions of \$162,255 for the Fishway project, \$46,303 of transfer station building improvements, \$2,009 of transfer station equipment purchases, \$4,418 for the dock project and \$134,893 of road improvements. There were current year retirements of \$23,575 for transfer station land. There were no current year impairments. Additional information on the Town's capital assets can be found in Note 4 of the notes to the financial statements on page 18 of this report.

Debt

The Town has total bonded debt outstanding of \$0 and \$11,881 of total outstanding capital leases that is backed by the full faith and credit of the Town. The outstanding debt increased \$1,500 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 page 19 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, 2016

(Exhibit I)

		<i>Governmental Activities</i>	
		<i>2016</i>	<i>2015</i>
<i>Assets & Deferred Outflows</i>			
<i>Assets</i>			
Cash and Cash Equivalents		\$2,603,287	\$2,679,589
Investments, at Fair Market Value		\$244,520	\$224,904
Accounts Receivable		\$150,444	\$184,814
Taxes Due		\$133,355	\$193,984
Prepaid Expenses		\$9,771	\$14,285
Inventories		\$1,252	\$1,247
<i>Capital Assets</i>			
Land and Artwork		\$247,785	\$271,360
Other Capital Assets, net of Accumulated Depreciation		\$4,829,488	\$4,752,985
Total Capital Assets		\$5,077,273	\$5,024,345
<i>Total Assets</i>		\$8,219,903	\$8,323,170
<i>Deferred Outflows of Resources</i>			
Related to Pensions		\$34,761	\$11,538
<i>Total Deferred Outflows of Resources</i>		\$34,761	\$11,538
<i>Total Assets & Deferred Outflows</i>		\$8,254,663	\$8,334,708
<i>Liabilities, Deferred Inflows and Net Position</i>			
<i>Liabilities</i>			
Accounts Payable		\$284,316	\$243,379
Accrued Contracted Salaries		\$107,003	\$71,518
Obligation Under Compensated Absences		\$14,436	\$0
Net Pension Liability		\$17,822	\$23,195
<i>Capital Lease Payable</i>			
Due within one year		\$3,928	\$2,615
Due in more than one year		\$7,954	\$7,766
<i>Total Liabilities</i>		\$435,459	\$348,473
<i>Deferred Inflows of Resources</i>			
Prepaid Property Taxes		\$6,768	\$8,922
Related to Pensions		\$30,046	\$44,383
<i>Total Deferred Inflows of Resources</i>		\$36,814	\$53,305
<i>Net Position</i>			
Net Investment in Capital Assets		\$5,065,392	\$5,013,965
Restricted		\$575,144	\$871,215
Unrestricted		\$2,141,856	\$2,047,750
<i>Total Net Position</i>		\$7,782,391	\$7,932,930
<i>Total Liabilities, Deferred Inflows and Net Position</i>		\$8,254,663	\$8,334,708

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

TOWN OF SURRY, MAINE
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Exhibit II)

<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>2016</u>	<u>2015</u>
<u>Governmental Activities</u>					
General Government	\$250,791	\$18,828		(\$231,963)	(\$93,992)
Public Safety	\$64,685	\$821		(\$63,864)	(\$69,175)
Public Works	\$312,215		\$28,408	(\$283,807)	(\$432,477)
Parks & Recreation	\$25,177			(\$25,177)	(\$16,662)
Health & Human Services	\$24,772			(\$24,772)	(\$23,940)
Education	\$2,391,316	\$12,221	\$214,724	(\$2,164,370)	(\$2,171,455)
Assessments	\$135,867			(\$135,867)	(\$135,514)
Capital Outlay	\$162,255		\$153,225	(\$9,030)	\$0
<u>Total Governmental Activities</u>	<u>\$3,367,077</u>	<u>\$31,871</u>	<u>\$396,358</u>	<u>(\$2,938,848)</u>	<u>(\$2,943,215)</u>
<u>Total Primary Government</u>	<u>\$3,367,077</u>	<u>\$31,871</u>	<u>\$396,358</u>	<u>(\$2,938,848)</u>	<u>(\$2,943,215)</u>
<u>General Revenues:</u>					
Tax Revenues, including Homestead Reimbursement				\$2,270,137	\$2,251,360
Excise Taxes				\$299,944	\$305,153
Municipal Revenue Sharing				\$24,884	\$24,285
Tree Growth Reimbursement & Penalties				\$44,004	\$17,859
Gain on Disposal of Tax Acquired Property				\$49,270	\$2,504
Interest Earned				\$28,846	\$28,891
Investment Gains (Losses)				\$26,405	(\$5,217)
Interest and Fees on Delinquent Taxes				\$16,667	\$16,233
Other Revenues				\$28,154	\$15,976
<u>Total Revenues</u>				<u>\$2,788,310</u>	<u>\$2,657,044</u>
<u>Changes in Net Position</u>				<u>(\$150,539)</u>	<u>(\$286,171)</u>
<u>Net Position - Beginning</u>				<u>\$7,932,930</u>	<u>\$8,219,100</u>
<u>Net Position - Ending</u>				<u>\$7,782,391</u>	<u>\$7,932,930</u>

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

TOWN OF SURRY, MAINE
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

(Exhibit III)

	<i>General</i>	<i>Special</i>	<i>Permanent</i>	<i>Total</i>	
	<i>Fund</i>	<i>Revenue</i>	<i>Fund</i>	<i>Governmental</i>	<i>2015</i>
		<i>Fund</i>	<i>Fund</i>	<i>Funds</i>	
<i>Assets</i>					
Cash and Cash Equivalents	\$2,579,072		\$24,216	\$2,603,287	\$2,679,589
Investments, at Fair Market Value			\$244,520	\$244,520	\$224,904
Accounts Receivable	\$146,662	\$3,781		\$150,444	\$184,814
Taxes Due	\$133,355			\$133,355	\$193,984
Prepaid Expenses	\$9,771			\$9,771	\$14,285
Inventory	\$1,252			\$1,252	\$1,247
Due From Other Funds	\$5,400		\$4,760	\$10,160	\$8,480
<i>Total Assets</i>	<u>\$2,875,512</u>	<u>\$3,781</u>	<u>\$273,496</u>	<u>\$3,152,790</u>	<u>\$3,307,304</u>
<i>Liabilities, Deferred Inflows & Fund Balances</i>					
<i>Liabilities:</i>					
Accounts Payable	\$280,535	\$3,781		\$284,316	\$243,379
Accrued Contracted Salaries	\$107,003			\$107,003	\$71,518
Obligation Under Compensated Absences	\$14,436			\$14,436	\$0
Due to Other Funds	\$4,760		\$5,400	\$10,160	\$8,480
<i>Total Liabilities</i>	<u>\$406,734</u>	<u>\$3,781</u>	<u>\$5,400</u>	<u>\$415,915</u>	<u>\$323,377</u>
<i>Deferred Inflows of Resources</i>					
Prepaid Property Taxes	\$6,768		\$0	\$6,768	\$8,922
Unavailable Property Tax Revenue	\$63,192		\$0	\$63,192	\$81,279
<i>Total Deferred Inflows of Resources</i>	<u>\$69,959</u>	<u>\$0</u>	<u>\$0</u>	<u>\$69,959</u>	<u>\$90,201</u>
<i>Fund Balances:</i>					
Nonspendable	\$1,252		\$190,060	\$191,312	\$187,793
Restricted	\$383,831			\$383,831	\$683,422
Committed	\$456,419			\$456,419	\$458,727
Assigned	\$958,121		\$78,036	\$1,036,157	\$955,773
Unassigned	\$599,196			\$599,196	\$608,011
<i>Total Fund Balances</i>	<u>\$2,398,819</u>	<u>\$0</u>	<u>\$268,096</u>	<u>\$2,666,915</u>	<u>\$2,893,726</u>
<i>Total Liabilities, Deferred Inflows & Fund Balances</i>	<u>\$2,875,512</u>	<u>\$3,781</u>	<u>\$273,496</u>	<u>\$3,152,790</u>	<u>\$3,307,304</u>
<i>Total Fund Balance - Governmental Funds</i>				\$2,666,915	
<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				\$5,077,273	
Deferred outflows of resources related to pension plans				\$34,761	
Deferred inflows of resources related to pension plans				(\$30,046)	
Delinquent taxes are recognized as revenue in the period for which levied in the government-wide financial statements, but are reported as unavailable revenue (a deferred inflow) in governmental funds				\$63,192	
Some liabilities are not due and payable in the current period and therefore, are not reported in the funds, including:					
Capital Lease Payable				(\$11,881)	
Net Pension Liability				(\$17,822)	
<i>Net Position of Governmental Activities</i>				<u>\$7,782,391</u>	

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

TOWN OF SURRY, MAINE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Exhibit IV)
(Page 1 of 2)

	<i>General</i> <i>Fund</i>	<i>Special</i> <i>Revenue</i> <i>Fund</i>	<i>Permanent</i> <i>Fund</i>	<i>Total</i> <i>Governmental</i> <i>Funds</i>	<i>2015</i>
<u>Revenues:</u>					
Tax Revenues, including Homestead Reimbursement	\$2,288,224			\$2,288,224	\$2,255,027
Intergovernmental Revenues		\$153,225		\$153,225	\$300,000
Education	\$291,372			\$291,372	\$313,590
Excise Taxes	\$299,944			\$299,944	\$305,153
Municipal Revenue Sharing	\$24,884			\$24,884	\$24,285
State Road Assistance	\$28,408			\$28,408	\$27,352
Tree Growth Reimbursement & Penalties	\$44,004			\$44,004	\$17,859
Gain on Disposal of Tax Acquired Property	\$49,270			\$49,270	\$2,504
Licenses, Permits and Fees	\$19,649			\$19,649	\$14,513
Interest Earned	\$21,428		\$7,418	\$28,846	\$28,891
Investment Gains (Losses)	\$6,777		\$19,628	\$26,405	(\$5,217)
Interest and Fees on Delinquent Taxes	\$16,667			\$16,667	\$16,233
Other Revenues	\$26,474		\$1,680	\$28,154	\$38,706
<u>Total Revenues</u>	<u>\$3,117,100</u>	<u>\$153,225</u>	<u>\$28,726</u>	<u>\$3,299,052</u>	<u>\$3,338,897</u>
<u>Expenditures(Net of Departmental Revenues):</u>					
<u>Current:</u>					
General Government	\$233,839		\$7,212	\$241,051	\$239,373
Public Safety	\$56,807			\$56,807	\$62,156
Public Works	\$421,546			\$421,546	\$419,103
Parks & Recreation	\$24,905			\$24,905	\$16,389
Health & Human Services	\$24,772			\$24,772	\$23,940
Education	\$2,458,660			\$2,458,660	\$2,416,638
Assessments	\$135,867			\$135,867	\$135,514
<u>Capital Outlay:</u>					
Capital Outlay		\$162,255		\$162,255	\$300,000
<u>Total Expenditures</u>	<u>\$3,356,395</u>	<u>\$162,255</u>	<u>\$7,212</u>	<u>\$3,525,863</u>	<u>\$3,613,114</u>
<u>Excess Revenues Over Expenditures</u>	<u>(\$239,295)</u>	<u>(\$9,030)</u>	<u>\$21,514</u>	<u>(\$226,811)</u>	<u>(\$274,217)</u>

TOWN OF SURRY, MAINE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Exhibit IV)
(Page 2 of 2)

	<i>General Fund</i>	<i>Special Revenue Fund</i>	<i>Permanent Fund</i>	<i>Total Governmental Funds</i>	<i>2015</i>
<u>Other Financing Sources (Uses):</u>					
Operating Transfers In		\$9,030		\$9,030	\$15,828
Operating Transfers Out	(\$9,030)			(\$9,030)	(\$15,828)
<u>Excess Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</u>	(\$248,325)	\$0	\$21,514	(\$226,811)	(\$272,202)
<u>Beginning Fund Balance</u>	\$2,647,144	\$0	\$246,582	\$2,893,726	\$3,167,943
<u>Ending Fund Balance</u>	<u>\$2,398,819</u>	<u>\$0</u>	<u>\$268,096</u>	<u>\$2,666,915</u>	<u>\$2,895,741</u>

Reconciliation to Statement of Activities, change in Net Position:

Net Change in Fund Balances - Above	(\$226,811)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds:	
Pension Plans (Deferred Outflows, Net Pension Liability, Deferred Inflows)	\$42,933
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 proceeds	(\$5,195)
This amount represents long-term debt payments	\$3,695
Delinquent taxes are recognized as revenue in the period for which levied in the Government-Wide financial statements, but are recorded as unavailable revenue (a deferred inflow) in governmental funds	(\$18,088)
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	\$326,303
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.	(\$273,375)
<u>Change in Net Position of Governmental Activities</u>	<u>(\$150,539)</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, 2016

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 as amended, *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 activities of the Town. 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 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 are recognized when transactions occur and expenses and deductions are recognized 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 recognized 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 unavailable revenue on its governmental fund financial statements. Unavailable revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unavailable 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 unavailable 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.

The special revenue funds are used to account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative action. Included in this fund type are State and Federal Programs, as well as other grant programs.

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 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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maine Public Employees Retirement System (System) and additions to/deductions from the Systems' fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable pursuant to formal commitments or statutory requirements. Investments are reported at fair value. Investment income is recognized when earned and investment expenses are recognized when incurred.

Interfund Activities

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 activities 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.

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 identified June 30, 2016 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	\$1,252		\$1,252
Cemetery Trust Principal		\$16,990	\$16,990
Ministerial School Principal		\$1,595	\$1,595
Good Citizenship Award Principal		\$1,909	\$1,909
Adams Book Trust Principal		\$43,415	\$43,415
Jordan Trust Principal		\$109,922	\$109,922
Bicentennial Scholarship Principal		\$16,229	\$16,229
<u>Restricted</u>			
Civil Defense Reserve	\$300		\$300
State Road Assistance Reserve	\$103,792		\$103,792
Cemetery Lot Sales Reserve	\$1,956		\$1,956
Old School Project Contributions Reserve	\$290		\$290
Recreation Reserve	\$5,446		\$5,446
Education Reserve	\$125,372		\$125,372
State Revenue Sharing Reserve	\$146,675		\$146,675
<u>Committed</u>			
Construction Project	\$59,945		\$59,945
Fire Department Capital Reserve	\$161,546		\$161,546
Patten Stream Fishway Reserve	\$2,572		\$2,572
Waterfront Capital Improvement Reserve	\$2,255		\$2,255
Memorial Park Reserve	\$3,118		\$3,118
School Operation Contingency Reserve	\$57,626		\$57,626
Capital Reserve	\$14,179		\$14,179
Municipal Capital Outlay Reserve	\$140,324		\$140,324
Old School Capital Outlay Reserve	\$14,853		\$14,853
<u>Assigned</u>			
Legal Reserve	\$68,326		\$68,326
Unified Development Ordinance Reserve	\$2,970		\$2,970
Boat Excise Reserve	\$7,201		\$7,201
Animal Control Reserve	\$3,826		\$3,826
Flag Fund Reserve	\$324		\$324
Coffee Reserve	(\$14)		(\$14)
Town Line Reserve	\$860		\$860
Excise Reserve	\$874,628		\$874,628
Cemetery Trust Income		(\$1,458)	(\$1,458)
Ministerial School Income		\$4,494	\$4,494
Good Citizenship Award Income		\$46	\$46
Adams Book Trust Income		\$9,947	\$9,947
Jordan Trust Income		\$63,804	\$63,804
Bicentennial Scholarship Income		\$1,203	\$1,203
<u>Unassigned</u>	\$599,196		\$599,196
<u>Total Fund Balances</u>	<u>\$2,398,819</u>	<u>\$268,096</u>	<u>\$2,666,915</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 is 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 \$575,144 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 GAAP. 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, \$16,990 for the Cemetery Trust Fund, \$109,922 for the Jordan Trust Fund, \$43,415 for the Adams Book Trust Fund and \$16,229 for the Bicentennial Scholarship Fund. The investment earnings of these funds are used for the specific purposes that the funds were established for and 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 \$46 from the Good Citizenship Fund, \$4,494 from the Ministerial School Fund, (\$1,458) from the Cemetery Trust Fund, \$63,804 from the Jordan Trust Fund, \$9,947 from the Adams Book Trust Fund and \$1,203 from the Bicentennial Scholarship 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 \$2,303,317 and the bank balance was \$2,328,875. The Town has no uninsured and uncollateralized deposits as of June 30, 2016.

Investments

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

	<i>Fair Market Value</i>	<i>Maturities (yrs)</i>	
		<i>Less than 1 yr</i>	<i>1-5 yrs</i>
Common Stock	\$206,227	\$206,227	
Bonds	\$60,217	\$60,217	
U.S. Government Securities	\$266,041	\$225,306	\$40,735
Money Market	\$11,306	\$11,306	
U.S. Treasury Securities - Agencies	\$0		
	<u>\$543,791</u>	<u>\$503,057</u>	<u>\$40,735</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, 2015 and committed on July 22, 2015. 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, \$63,192 of the property taxes receivable have been classified as unavailable property tax revenue on the general fund balance sheet.

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2016 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 and Artwork	\$271,360		\$23,575	\$247,785
<u>Capital assets being depreciated</u>				
Buildings and Improvements	\$2,067,859	\$74,732		\$2,142,592
Equipment	\$493,913	\$2,009		\$495,922
Infrastructure	\$8,804,150	\$273,137		\$9,077,286
<u>Total capital assets being depreciated</u>	<u>\$11,365,922</u>	<u>\$349,878</u>	<u>\$0</u>	<u>\$11,715,799</u>
<u>Less accumulated depreciation for</u>				
Buildings and Improvements	\$984,912	\$48,485		\$1,033,397
Equipment	\$398,079	\$16,490		\$414,569
Infrastructure	\$5,229,945	\$208,401		\$5,438,345
<u>Total accumulated depreciation</u>	<u>\$6,612,936</u>	<u>\$273,375</u>	<u>\$0</u>	<u>\$6,886,312</u>
<u>Net capital assets being depreciated</u>	<u>\$4,752,985</u>	<u>\$76,502</u>	<u>\$0</u>	<u>\$4,829,488</u>
<u>Governmental Activities, Capital Assets, net</u>	<u>\$5,024,345</u>	<u>\$76,502</u>	<u>\$23,575</u>	<u>\$5,077,273</u>

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

Governmental Activities

General Government	\$11,147
Public Safety	\$7,878
Education	\$37,107
Recreation	\$272
Public Works, including depreciation of general infrastructure assets	\$216,972
Total Depreciation Expense - Governmental Activities	<u>\$273,375</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, 2016, the offsetting receivable and payable balances were \$10,160, 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 2016 and August 2016 salaries for employees under September 2015 through August 2016 contracts is being recorded on the general fund balance sheet. This obligation, along with the obligation for compensated absences represents 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, 2016:

<u>Long-Term Debt payable at July 1, 2015</u>	\$10,381
Long-Term Debt Proceeds	\$5,195
Long-Term Debt retired	<u>(\$3,695)</u>
<u>Long-Term Debt payable June 30, 2016</u>	<u>\$11,881</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, 2016 are as follows:

In November 2014, the Surry School Department entered into a financing agreement with U.S. Bank for the purpose of upgrading the Town Office photocopier. The debt is for five years with interest at 6.12%. The monthly payment is \$151. The balance at June 30, 2016 was \$5,810. This lease is accounted for as a capital lease and is to be repaid through the General Fund Balance.

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 is \$114. The balance at June 30, 2016 was \$1,956. This lease is accounted for as a capital lease and is to be repaid through local allocations.

In July 2014, the Surry School Department entered into a financing agreement with U.S. Bank for the purpose of leasing an additional photocopier. The debt is for five years with interest at 6.12%. The monthly payment totals \$114. The balance at June 30, 2016 was \$4,115. This lease is accounted for as a capital lease and is to be repaid through local allocations.

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

<u>Fiscal Year</u> <u>Ended</u>	<u>Principal</u>	<u>Estimated</u> <u>Interest</u>	<u>Total</u>
2017	\$3,928	\$618	\$4,546
2018	\$3,482	\$380	\$3,862
2019	\$2,987	\$191	\$3,178
2020	\$1,485	\$27	\$1,512
	<u>\$11,881</u>	<u>\$1,216</u>	<u>\$13,097</u>

Note 8 - Defined Benefit Employee Pension Plan

A. Plan Description

Qualifying personnel of the School Department participate in the Maine Public Employees Retirement System (System) State Employee and Teacher (SET) Plan. The Plan is a multiple-employer, cost-sharing pension plan with a special funding situation.

The State of Maine is the non-employer contributing entity in that the State pays the initial unfunded actuarial liability on behalf of teachers, while school systems contribute the normal cost, calculated actuarially, for their teacher members.

B. Pension Benefits

Benefit terms are established in Maine Statute. The System's retirement programs provide defined retirement benefits based on member's average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit for State employees and teachers. In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by statute for State employee and teacher members.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual interest credited to members' accounts is set by the System's Board of Trustees.

C. Member and Employer Contributions

Retirement benefits are funded by contributions from members, employers, the State and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. Member and employer contribution rates are each a percentage of applicable member compensation. Member contribution rates are defined by law or Board rule and depend on the terms of the Plan under which a member is covered. Employer contribution rates are determined through actuarial valuations. For the year ended June 30, 2015, the member contribution rate was 7.65% and the employer contribution rate was 2.65% of applicable member compensation. The employer is also responsible for contributing 10.57% of all federally funded member compensation. The State of Maine, as a non-employer contributing entity, pays 11.94% of the applicable member compensation into the System.

The required contributions paid into the System for the year ended June 30, 2016 and the previous two years are as follows:

<i>Year ended June 30,</i>	<i>Employee Contributions</i>	<i>Employer Contributions</i>	<i>State of Maine Contributions</i>	<i>Applicable Member Compensation</i>	<i>Applicable Member Federal Compensation</i>
2016	\$55,016	\$25,529	\$84,326	\$719,162	\$12,914
2015	\$46,180	\$18,113	\$70,205	\$603,658	\$15,678
2014	\$45,144	\$18,962	\$73,685	\$590,122	\$24,618

D. Revenue Recognition

Employer contributions to the System are recognized as additions in the period when they become due pursuant to formal commitments or statutory requirements. Investment income is recognized when earned and investment expenses are recognized when incurred. For the teacher group, total employer and non-employer contributions were the basis for the allocation, adjusted to remove the normal cost contributions paid by local school systems on behalf of their employees. This leaves contributions toward the net pension liability of the Plan as the basis of allocation. This method of allocation properly distributes the collective net pension liability between the State of Maine as the non-employer entity and those School Systems contributing towards the net pension liability of the Plan using grant funding.

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

At June 30, 2016, the School Department reported a net pension liability of \$17,822. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of that date. The School Department's proportion of the net pension liability was based on a projection of the School Department's

long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At June 30, 2016 the School Department's proportion was 0.001%, which was a change of (0.001%) from its proportion measured at June 30, 2015.

For the fiscal year ended June 30, 2016, the School Department recognized pension expense of \$815. At June 30, 2016, the School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Differences between expected and actual experience	\$0	\$123
Changes in Assumptions	\$491	\$0
Net Difference between projected between projected and actual earnings on pension plan investments	\$3,771	\$4,577
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$4,970	\$25,346
Employer contributions made subsequent to measurement date	\$25,529	\$0
	<u>\$34,761</u>	<u>\$30,046</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	
2017	\$9,069
2018	(\$4,715)
2019	(\$583)
2020	\$943

F. Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary Increases	3.50% - 13.50% at selected years of service
Investment Rate of Return	7.125%, net of administrative and pension plan investment expense

For the School Department employees, the mortality rate is based on the RP2000 Combined Mortality Tables for males and females using Scale AA with a two year set back.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study performed in 2011 and covered the period July 1, 2005 - June 30, 2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by

weighing the expected future rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 are summarized in the following table:

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Long-Term Expected Real Rate of Return</i>
US Equities	20%	5.2%
Non-US Equities	20%	5.5%
Private Equity	10%	7.6%
Real Assets:		
Real Estate	10%	3.7%
Infrastructure	10%	4.0%
Hard Assets	5%	4.8%
Fixed Income	25%	0.0%
	100%	

G. Discount Rate

The discount rate used to measure the total pension liability was 7.125%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the School Department's proportionate share of the net pension liability calculated using the discount rate of 7.125%, as well as what the School Department's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.125%) or 1 percentage point higher (8.125%) than the current rate:

	<i>1% Decrease (6.125%)</i>	<i>Current Discount Rate (7.125%)</i>	<i>1% Increase (8.125%)</i>
Proportionate Share of the Net Pension Liability	\$31,201	\$17,822	\$6,678

I. Pension Plan Financial and Actuarial Information

Additional financial information and actuarial information can be found in the Systems' 2015 Comprehensive Annual Financial Report available online at www.mainebers.org or by contacting the System at (207) 512-3100.

Note 9 - Other Pension Plans

Full time municipal employees of the Town, not covered under the Maine Public Employees Retirement System can elect to participate in Internal Revenue Code Section 457 pension plan. The plan is covered by ICMA Retirement Corporation. Employees who elect coverage under the plan can contribute up to 6% of their earnings. The Town matches 50% of the Employee's savings up to a maximum of \$1,000 per fiscal year. The Town's costs totaled \$1,009 for the fiscal year ended June 30, 2015 and \$1,019 for the fiscal year ended June 30, 2016.

Note 10 - Restricted Net Position

The Town reports restricted net position totaling \$575,144 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 11 - Commitment and Contingencies

The Town and the School Department participate in a number of federal and state assisted grant programs. These programs are subject to financial and compliance audits. The amount of School Department 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 12 - 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 recognized at June 30, 2016.

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 to 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>12/31/15</i> <i>Total</i>
Assets	\$532,299	\$1,064,598	\$1,596,897
Liabilities	\$22,194	\$44,388	\$66,582
Deferred Inflows	\$195	\$389	\$584
Net Position	\$509,910	\$1,019,821	\$1,529,731
Revenues	\$251,370	\$502,739	\$754,109
Expenses	\$375,059	\$750,118	\$1,125,178
Changes in Net Position	(\$123,689)	(\$247,379)	(\$371,068)

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, 2016

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
<u>Revenues:</u>				
Tax Revenues	\$2,250,316	\$2,250,316	\$2,272,315	\$21,999
Homestead Reimbursement	\$16,313	\$16,313	\$15,909	(\$404)
Excise Taxes	\$252,500	\$252,500	\$299,944	\$47,444
Municipal Revenue Sharing	\$0	\$0	\$24,884	\$24,884
State Road Assistance	\$30,000	\$30,000	\$28,408	(\$1,592)
Tree Growth Reimbursement & Penalties	\$12,703	\$12,703	\$44,004	\$31,301
Gain on TAP	\$0	\$0	\$49,270	\$49,270
Licenses, Permits and Fees	\$0	\$0	\$19,649	\$19,649
Interest Earned	\$0	\$0	\$21,428	\$21,428
Investment Gains (Losses)	\$0	\$0	\$6,777	\$6,777
Interest and Fees on Delinquent Taxes	\$0	\$0	\$16,667	\$16,667
Veteran's Reimbursement	\$0	\$0	\$935	\$935
Other Revenues	\$0	\$0	\$25,539	\$25,539
<u>Total Revenues</u>	<u>\$2,561,832</u>	<u>\$2,561,832</u>	<u>\$2,825,729</u>	<u>\$263,897</u>
<u>Expenditures (Net of Department Revenues):</u>				
General Government	\$273,280	\$273,280	\$233,839	\$39,441
Public Safety	\$91,459	\$91,459	\$56,807	\$34,652
Public Works	\$403,135	\$403,135	\$421,546	(\$18,411)
Parks & Recreation	\$26,310	\$26,310	\$24,905	\$1,405
Health & Human Services	\$45,844	\$45,844	\$24,772	\$21,072
Education	\$2,293,807	\$2,293,807	\$2,167,288	\$126,518
Assessments	\$168,537	\$168,537	\$135,867	\$32,670
<u>Total Expenditures</u>	<u>\$3,302,372</u>	<u>\$3,302,372</u>	<u>\$3,065,023</u>	<u>\$237,348</u>
<u>Excess Revenues Over Expenditures</u>	<u>(\$740,540)</u>	<u>(\$740,540)</u>	<u>(\$239,295)</u>	<u>\$501,245</u>
<u>Other Financing Uses:</u>				
Operating Transfers Out	\$0	\$0	(\$9,030)	(\$9,030)
<u>Net Change in Fund Balance</u>	<u>(\$740,540)</u>	<u>(\$740,540)</u>	<u>(\$248,325)</u>	<u>\$492,215</u>
<u>Beginning Fund Balances</u>	<u>\$2,647,144</u>	<u>\$2,647,144</u>	<u>\$2,647,144</u>	<u>\$0</u>
<u>Ending Fund Balances</u>	<u>\$1,906,604</u>	<u>\$1,906,604</u>	<u>\$2,398,819</u>	<u>\$492,215</u>

TOWN OF SURRY, MAINE*(Exhibit VII)***REQUIRED SUPPLEMENTARY INFORMATION****SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY****MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM****FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<i>For the Fiscal Year Ended June 30, 2016</i>	<i>For the Fiscal Year Ended June 30, 2015</i>
Last 10 Fiscal Years *		
Proportion of Net Pension Liability	0.001%	0.002%
Proportionate Share of the Net Pension Liability (Asset)	\$17,822	\$23,195
Covered Employee Payroll	\$719,162	\$603,658
Proportionate Share of the Net Pension Liability (Asset) as a % Of Its Covered Employee Payroll	2.478%	3.842%
Plan Total Pension Liability	\$12,616,287,054	\$12,320,158,783
Plan Fiduciary Net Position	<u>\$10,242,097,022</u>	<u>\$10,337,615,927</u>
Plan Net Pension Liability	<u>\$2,374,190,032</u>	<u>\$1,982,542,856</u>
Plan Fiduciary Net Position as a % Of the Total Pension Liability	81.18%	83.91%
Plan Covered Employee Payroll	\$1,699,190,889	\$1,676,857,294
Plan Net Pension Liability as a % Of the Covered Employee Payroll	139.72%	118.23%

* Amounts presented for each fiscal year were determined as of June 30 of the previous fiscal year end. Retroactive information is not required to be presented. A full 10 year schedule will be displayed as it becomes available.

TOWN OF SURRY, MAINE

(Exhibit VIII)

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<i>For the Fiscal Year Ended June 30, 2016</i>	<i>For the Fiscal Year Ended June 30, 2015</i>
Last 10 Fiscal Years *		
Contractually required contribution	\$25,529	\$18,113
Actual Contribution	<u>(\$25,529)</u>	<u>(\$18,113)</u>
Contribution Deficiency	<u>\$0</u>	<u>\$0</u>
Covered Employee Payroll	\$719,162	\$603,658
Contributions as a % of Covered Employee Payroll	3.550%	3.001%

* Amounts presented for each fiscal year were determined as of June 30 of the previous fiscal year end. Retroactive information is not required to be presented. A full 10 year schedule will be displayed as it becomes available.

TOWN OF SURRY, MAINE

(Exhibit A-1)

SCHEDULE OF DEPARTMENTAL OPERATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<i>Budget</i>	<i>Actual Expenditure</i>	<i>Transfers (In)/Out</i>	<i>Unexpended or (Overdraft)</i>
<u>Non Continuing Appropriation Accounts:</u>				
<u>General Government</u>				
Administration	\$194,495	\$176,141	\$8,000	\$10,354
Assessing	\$25,945	\$25,354		\$592
Planning Board & Board of Appeals	\$2,450	\$1,370	\$1,000	\$80
Code Enforcement	\$10,590	\$11,709		(\$1,119)
Municipal Building Operations	\$24,300	\$18,134		\$6,166
Conservation Commission	\$500	\$0		\$500
Comprehensive Plan	\$0	\$0		\$0
	<u>\$258,280</u>	<u>\$232,708</u>	<u>\$9,000</u>	<u>\$16,572</u>
<u>Public Safety</u>				
Fire Department Operations	\$39,625	\$31,427		\$8,198
Fire Department Equipment	\$11,000	\$2,664		\$8,336
Ambulance	\$14,792	\$14,792		\$0
Harbor Master	\$2,750	\$219		\$2,531
Animal Control Officer	\$3,642	\$3,069	\$573	\$0
911 Addressing	\$3,350	\$3,292		\$58
Street Lights	\$1,300	\$1,345		(\$45)
	<u>\$76,459</u>	<u>\$56,807</u>	<u>\$573</u>	<u>\$19,079</u>
<u>Public Works</u>				
Road Commissioner	\$8,600	\$8,602	(\$2)	\$0
Winter Roads	\$140,750	\$131,476	\$9,274	\$0
Town Roads & Bridges	\$40,100	\$40,313	(\$213)	\$0
Cutting Roadside Bushes	\$5,000	\$4,640	\$360	\$0
Road Reconstruction	\$54,000	\$96,212	(\$42,212)	\$0
Paving	\$30,000		\$30,000	\$0
Cemeteries	\$10,750	\$10,432		\$318
Septic Sludge Disposal	\$2,400	\$2,881		(\$481)
Solid Waste Transfer Station	\$111,535	\$111,770		(\$235)
	<u>\$403,135</u>	<u>\$406,326</u>	<u>(\$2,793)</u>	<u>(\$398)</u>
<u>Parks & Recreation</u>				
Recreation Programs	\$7,810	\$4,375		\$3,435
Memorial Park	\$3,500	\$3,203	\$297	\$0
Waterways	\$5,000	\$11,871	(\$6,871)	\$0
Alewife Committee	\$5,500	\$126	\$5,374	\$0
Osgood Lot	\$4,500	\$4,232		\$268
	<u>\$26,310</u>	<u>\$23,808</u>	<u>(\$1,201)</u>	<u>\$3,702</u>

TOWN OF SURRY, MAINE

(Exhibit A-1)

SCHEDULE OF DEPARTMENTAL OPERATIONS - CONTINUEDFOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Budget</u>	<u>Actual Expenditures</u>	<u>Transfers (In)/Out</u>	<u>Unexpended or (Overdraft)</u>
<u>Health & Human Services</u>				
General Assistance	\$11,403	\$6,007		\$5,396
Libraries	\$10,661	\$10,661		\$0
Community Service Agencies	\$7,780	\$7,780		\$0
Historical Society (Old Town Hall)	\$1,000	\$177		\$823
	<u>\$30,844</u>	<u>\$24,625</u>	<u>\$0</u>	<u>\$6,219</u>
<u>Overlay</u>	\$17,670	\$0		\$17,670
<u>Assessments & Debt Service</u>				
County Tax	\$135,867	\$135,867		\$0
Contingency	\$15,000	\$0	\$15	\$14,985
	<u>\$150,867</u>	<u>\$135,867</u>	<u>\$15</u>	<u>\$14,985</u>
<u>Totals</u>	<u>\$963,565</u>	<u>\$880,141</u>	<u>\$5,595</u>	<u>\$77,830</u>

TOWN OF SURRY, MAINE
SCHEDULE OF CHANGES IN UNASSIGNED FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Exhibit A-2)

<u>Beginning Unassigned Fund Balance</u>		\$608,011
<u>Additions:</u>		
Lapsed Accounts (Exhibit A-1)	\$77,830	
Decrease in Unavailable Tax Revenue	\$18,088	
Appropriated Abatements	\$15,000	
Tree Growth Reimbursements and Penalties (net of appropriation)	\$31,301	
Supplemental Taxes	\$376	
Gain on Sale of Tax Acquired Property	\$49,270	
Interest Earned	\$19,805	
Interest on Delinquent Taxes	\$16,671	
Licenses, Permits & Fees	\$18,828	
Veteran's Reimbursement	\$970	
Other Revenues	\$10,009	
<u>Total Additions</u>		\$258,147
<u>Reductions:</u>		
Appropriated Revenues	\$255,090	
Abatements	\$11,872	
<u>Total Reductions</u>		\$266,962
<u>Ending Unassigned Fund Balance</u>		<u>\$599,196</u>

TOWN OF SURRY, MAINE

(Exhibit A-3)

SCHEDULE OF VALUATION, COMMITMENT AND COLLECTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Total Taxable Valuation \$312,457,400

Tax Rate per \$1,000 Valuation \$7.25

Tax Assessment \$2,265,316

Collections and Adjustments:

Cash Collections	\$2,164,205
Abatements Granted	\$432
Supplemental Taxes	<u>(\$302)</u>

Total Collections and Adjustments \$2,164,336

Uncollected Taxes June 30, 2016 \$100,981

TOWN OF SURRY, MAINESCHEDULE OF CHANGES IN DESIGNATED FUND BALANCES - GENERAL FUNDFOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>7/1/2015</u> <u>Balance</u>	<u>Revenue</u> <u>Appropriations</u>	<u>Interest</u> <u>Earned</u>	<u>Investment</u> <u>Gains/(Losses)</u>
<u>General Administration:</u>				
Legal Services	\$60,326			
Unified Development Ordinance	\$2,420			
Municipal Capital Outlay	\$122,176	\$15,000		\$3,149
Property Tax Reserve	\$80,000			
<u>Public Safety:</u>				
Fire Department Capital	\$141,979	\$15,000		\$3,628
Civil Emergency Preparedness	\$300			
Animal Control	\$2,432			
<u>Public Works:</u>				
Boat Excise	\$9,460			
State Road Assistance	\$74,719		\$665	
Cemetery Capital Outlay	\$1,686			
Town Line	\$860			
Construction Project	\$102,157			
Dock Project	\$0			
<u>Education:</u>				
Education	\$399,959	\$1,893,807	\$147	
School Operation Contingency	\$57,112		\$514	
<u>Parks & Recreation:</u>				
Recreation	\$5,226			
Memorial Park	\$2,787		\$34	
Waterfront Improvement Capital	\$14,025		\$101	
Patten Stream Fishway	\$4,475			
<u>Health & Human Services:</u>				
Old School House Project Contribution	\$0			
Old School House Capital Outlay	\$0	\$15,000		
<u>Other:</u>				
Excise Taxes	\$819,924			
Capital Improvements	\$14,016		\$163	
SISS Sculpture	\$987			
Flag Fund	\$324			
Coffee Fund	(\$9)			
State Revenue Sharing	\$121,792			
<u>Totals</u>	<u>\$2,039,133</u>	<u>\$1,938,807</u>	<u>\$1,623</u>	<u>\$6,777</u>

(Exhibit A-4)

<i>Other Revenues</i>	<i>Total Available</i>	<i>Transfers In/(Out)</i>	<i>Expenditures</i>	<i>Expenditure Appropriations</i>	<i>6/30/2016 Balance</i>
	\$60,326	\$8,000			\$68,326
	\$2,420	\$1,000		\$450	\$2,970
	\$140,324				\$140,324
	\$80,000			\$80,000	\$0
\$940	\$161,546				\$161,546
	\$300				\$300
\$821	\$3,253	\$573			\$3,826
\$4,909	\$14,369	(\$4,418)		\$2,750	\$7,201
\$28,408	\$103,792	\$30,000		\$30,000	\$103,792
\$420	\$2,106		\$150		\$1,956
	\$860				\$860
	\$102,157	(\$42,212)			\$59,945
\$10,652	\$10,652	\$4,418	\$15,070		\$0
\$291,372	\$2,585,284		\$2,458,660		\$126,624
	\$57,626				\$57,626
\$220	\$5,446				\$5,446
	\$2,821	\$297			\$3,118
	\$14,126	(\$6,871)		\$5,000	\$2,255
\$2,850	\$7,325	(\$3,656)	\$1,096		\$2,572
\$290	\$290				\$290
\$0	\$15,000		\$147		\$14,853
\$295,035	\$1,114,959	\$9,419		\$249,750	\$874,628
	\$14,179				\$14,179
\$62	\$1,050	\$15	\$1,065		\$0
	\$324				\$324
\$61	\$52		\$66		(\$14)
\$24,884	\$146,675				\$146,675
<u>\$660,923</u>	<u>\$4,647,263</u>	<u>(\$3,435)</u>	<u>\$2,476,254</u>	<u>\$367,950</u>	<u>\$1,799,623</u>

TOWN OF SURRY, MAINE

(Exhibit A-5)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<i>Fishway Project</i>	<i>Total Special Revenue Fund</i>
<u>Revenues:</u>		
Fish and Wildlife Management Assistance Grant	\$36,026	\$36,026
Department of Marine Resources Grant	\$115,000	\$115,000
Blue Hill Heritage Trust/Maine Coast Heritage Trust Contributions	\$2,199	\$2,199
<u>Total Revenues</u>	<u>\$153,225</u>	<u>\$153,225</u>
<u>Expenditures:</u>		
<u>Capital Outlay:</u>		
Contractors/Vendors	\$162,255	\$162,255
<u>Total Expenditures</u>	<u>\$162,255</u>	<u>\$162,255</u>
<u>Excess Revenues Over (Under) Expenditures</u>	<u>(\$9,030)</u>	<u>(\$9,030)</u>
<u>Other Financing Sources (Uses):</u>		
Operating Transfers In	\$9,030	\$9,030
<u>Total Other Financing Sources (Uses)</u>	<u>\$9,030</u>	<u>\$9,030</u>
<u>Net Change in Fund Balances</u>	<u>\$0</u>	<u>\$0</u>
<u>Beginning Fund Balance</u>	<u>\$0</u>	<u>\$0</u>
<u>Ending Fund Balance</u>	<u>\$0</u>	<u>\$0</u>

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

COMBINED BALANCE SHEET - PERMANENT FUNDSJUNE 30, 2016

	<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>Bicentennial Scholarship</u>	<u>Total</u>	<u>2015</u>
<u>Assets</u>								
Cash & Cash Equivalents	\$1,955	\$6,089	\$16,172				\$24,216	\$23,999
Investments, at Fair Market Value				\$173,726	\$53,362	\$17,432	\$244,520	\$224,904
Due from Other Funds			\$4,760				\$4,760	\$3,080
<u>Total Assets</u>	<u>\$1,955</u>	<u>\$6,089</u>	<u>\$20,932</u>	<u>\$173,726</u>	<u>\$53,362</u>	<u>\$17,432</u>	<u>\$273,496</u>	<u>\$251,982</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>\$0</u>	<u>\$5,400</u>	<u>\$5,400</u>
<u>Fund Balances</u>								
Restricted	\$1,909	\$1,595	\$16,990	\$109,922	\$43,415	\$16,229	\$190,060	\$186,546
Unrestricted	\$46	\$4,494	(\$1,458)	\$63,804	\$9,947	\$1,203	\$78,036	\$60,036
<u>Total Fund Balances</u>	<u>\$1,955</u>	<u>\$6,089</u>	<u>\$15,532</u>	<u>\$173,726</u>	<u>\$53,362</u>	<u>\$17,432</u>	<u>\$268,096</u>	<u>\$246,582</u>
<u>Total Liabilities and Fund Balances</u>	<u>\$1,955</u>	<u>\$6,089</u>	<u>\$20,932</u>	<u>\$173,726</u>	<u>\$53,362</u>	<u>\$17,432</u>	<u>\$273,496</u>	<u>\$251,982</u>

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

TOWN OF SURRY, MAINE

(Exhibit A-7)

COMBINED STATEMENT OF REVENUES, EXPENSES & CHANGES

IN FUND BALANCE - PERMANENT FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<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>Bicentennial Scholarship</u>	<u>Total 2016</u>	<u>2015</u>
<u>Revenues:</u>								
Perpetual Care			\$1,680				\$1,680	\$560
Investment Earnings, net of Fees	\$18	\$55	\$145	\$5,066	\$1,626	\$509	\$7,418	\$4,703
Investment Gains (Losses)				(\$425)	(\$134)	(\$42)	(\$601)	\$1,359
Increase (Decrease) in Fair Market Value				\$14,309	\$4,510	\$1,411	\$20,230	(\$4,436)
<u>Total Revenue</u>	<u>\$18</u>	<u>\$55</u>	<u>\$1,825</u>	<u>\$18,950</u>	<u>\$6,001</u>	<u>\$1,877</u>	<u>\$28,726</u>	<u>\$2,187</u>
<u>Expenses:</u>								
Scholarships				\$3,000	\$2,362		\$5,362	\$7,256
Bank Charges				\$1,309	\$413	\$129	\$1,851	\$1,767
<u>Total Expenses</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$4,309</u>	<u>\$2,774</u>	<u>\$129</u>	<u>\$7,212</u>	<u>\$9,023</u>
<u>Excess Revenue over Expenses</u>	<u>\$18</u>	<u>\$55</u>	<u>\$1,825</u>	<u>\$14,641</u>	<u>\$3,227</u>	<u>\$1,748</u>	<u>\$21,514</u>	<u>(\$6,836)</u>
<u>Other Financing Sources (Uses):</u>								
Operating Transfers In							\$0	\$15,828
<u>Excess Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</u>	<u>\$18</u>	<u>\$55</u>	<u>\$1,825</u>	<u>\$14,641</u>	<u>\$3,227</u>	<u>\$1,748</u>	<u>\$21,514</u>	<u>\$8,992</u>
<u>Beginning Fund Balance</u>	<u>\$1,937</u>	<u>\$6,034</u>	<u>\$13,707</u>	<u>\$159,085</u>	<u>\$50,135</u>	<u>\$15,684</u>	<u>\$246,582</u>	<u>\$237,590</u>
<u>Ending Fund Balance</u>	<u>\$1,955</u>	<u>\$6,089</u>	<u>\$15,532</u>	<u>\$173,726</u>	<u>\$53,362</u>	<u>\$17,432</u>	<u>\$268,096</u>	<u>\$246,582</u>
<u>Analysis of Fund Balance:</u>								
Nonexpendable Principal - Beg of Year	\$1,909	\$1,595	\$15,310	\$109,922	\$42,018	\$15,792	\$186,546	\$170,212
Additions (Reductions) to Principal			\$1,680		\$1,397	\$437	\$3,514	\$16,334
Nonexpendable Principal - End of Year	\$1,909	\$1,595	\$16,990	\$109,922	\$43,415	\$16,229	\$190,060	\$186,546
Expendable	\$46	\$4,494	(\$1,458)	\$63,804	\$9,947	\$1,203	\$78,036	\$60,036
<u>Total Fund Balance</u>	<u>\$1,955</u>	<u>\$6,089</u>	<u>\$15,532</u>	<u>\$173,726</u>	<u>\$53,362</u>	<u>\$17,432</u>	<u>\$268,096</u>	<u>\$246,582</u>

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

TOWN OF SURRY, MAINE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Exhibit A-8)

Federal Grantor/Pass-Through

<u>Grantor/Program Title</u>	<u>CFDA #</u>	<u>Grantor Pass- Through Number</u>	<u>Program Award Amount</u>	<u>Expenditures</u>
<u>U.S. Department of Education:</u>				
<u>Passed through State of Maine</u>				
<u>Department of Education</u>				
Title IA - Disadvantaged	84.010	013-05A-3057-13	\$24,791	\$28,340
Local Entitlement	84.027	013-05A-3046-12	\$47,007	\$39,097
Special Education - Preschool Grants IDEA Part B	84.173	013-05A-6241-23	\$751	\$0
Rural Education Achievement Program	84.213	013-05A-6336-13	\$11,541	\$18,000
<u>Total State of Maine Department of Education</u>			<u>\$84,090</u>	<u>\$85,438</u>
<u>Total U.S. Department of Education</u>			<u>\$84,090</u>	<u>\$85,438</u>
<u>U.S. Department of Agriculture:</u>				
<u>Passed through State of Maine</u>				
<u>Department of Education</u>				
National School Lunch Program - Lunch	10.555	-	\$22,880	\$22,880
National School Lunch Program - Breakfast	10.555	-	\$10,994	\$10,994
National School Lunch Program - Other	10.555	-	\$652	\$652
Food Distribution - Donated Commodities	10.550	-	\$2,800	\$2,749
<u>Total U.S. Department of Agriculture</u>			<u>\$37,325</u>	<u>\$37,274</u>
<u>U.S. Department of the Interior:</u>				
Fish and Wildlife Management Assistance	15.608	-	\$96,000	\$36,026
<u>Total U.S. Department of Housing and Urban Development</u>			<u>\$96,000</u>	<u>\$36,026</u>
<u>Totals</u>			<u>\$217,415</u>	<u>\$158,738</u>