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Town of Surry Maine Annual Audited Financial Report 2018

Surry, Me

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TOWN OF SURRY, MAINE

*FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORTS*

*FOR THE FISCAL YEAR
ENDED JUNE 30, 2018*

TOWN OF SURRY, MAINE
FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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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, 2018, 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 Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Surry, Maine as of June 30, 2018, 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 schedules of historical pension information on pages 3 through 7 and 28 through 31 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 16, 2018

TOWN OF SURRY, MAINE
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

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, 2018. 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, 2018 by \$8,060,147 (presented as “net position”). Of this amount, \$2,267,040 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 increased by \$213,553 (a 2.6% increase) for the fiscal year ended June 30, 2018.

Fund Highlights:

Governmental Funds – Fund Balances – As of the close of the fiscal year ended June 30, 2018; the Town's governmental funds reported a combined ending fund balance of \$2,808,537, an increase of \$67,617 in comparison with the prior year. Of this total fund balance, \$649,231 represents general unassigned fund balance. This unassigned fund balance represents approximately 15.4% of the total general fund expenditures for the fiscal year.

Long-term Debt:

The Town's total long-term debt obligations increased \$645,020 (1085.0%) during the current fiscal year. The town entered into additional long-term debt obligation in the amount of \$648,502 for the firehouse expansion project. The total debt obligation for the project is \$700,000. 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. 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 8 - 9 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 10 - 12 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 13 - 27 of this report.

Required Supplementary Information

This section includes schedules of historical pension information 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 28-31 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

The largest portion of the Town's net position (64.4%) reflects its investment in capital assets such as land, buildings, equipment and infrastructure (roads, bridges and other immovable assets); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although, the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	<i>Governmental Activities 2018</i>	<i>Governmental Activities 2017</i>
Current Assets	\$ 3,298,554	\$ 3,178,862
Capital Assets	\$ 5,893,976	\$ 5,100,412
Deferred Outflows	\$ 40,788	\$ 33,696
<i>Total Assets and Deferred Outflows</i>	\$ 9,233,318	\$ 8,312,970
Other Liabilities	\$ 426,989	\$ 359,447
Long-Term Liabilities	\$ 709,359	\$ 89,977
Deferred Inflows	\$ 36,823	\$ 16,953
Net Position;		
Invested in Capital Assets	\$ 5,189,504	\$ 5,040,961
Restricted	\$ 603,603	\$ 546,529
Unrestricted	\$ 2,267,040	\$ 2,259,103
<i>Total Liabilities and Net Position</i>	\$ 9,233,318	\$ 8,312,970

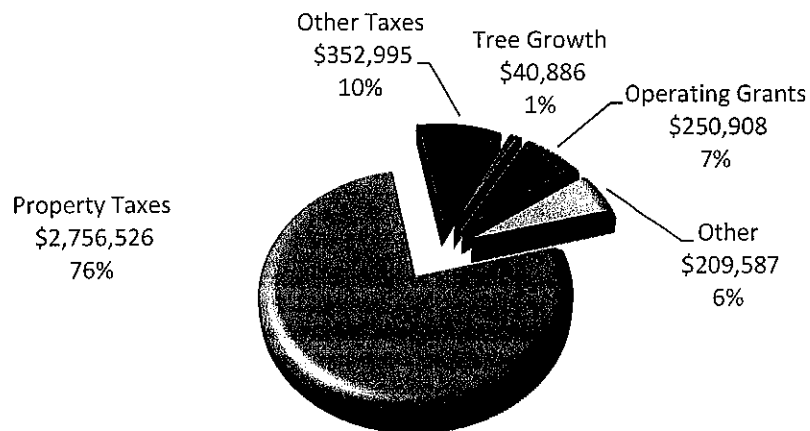
An additional portion of the Town's net position (7.5%) represents resources that are subject to external restrictions on their use. The remaining balance of unrestricted net position (28.1%) may be used to meet the government's ongoing obligations to citizens and creditors.

Changes in Net Position

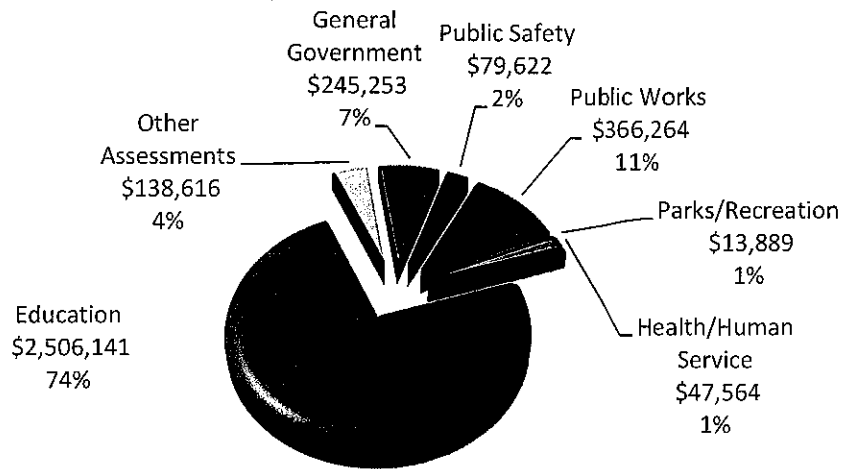
Governmental activities increased the Town's net position by \$213,553. This increase was primarily due to conservative budgeting and controlled costs.

	<i>Governmental Activities 2018</i>	<i>Governmental Activities 2017</i>
<i>Revenues;</i>		
Tax Revenues	\$ 3,124,219	\$ 3,053,171
Program Revenues	\$ 336,117	\$ 261,682
Investments	\$ 47,027	\$ 48,669
Revenue Sharing	\$ 24,824	\$ 23,028
Other	\$ 78,715	\$ 63,731
<i>Total Revenues</i>	<i>\$ 3,610,902</i>	<i>\$ 3,450,281</i>
<i>Expenses;</i>		
General Government	\$ 245,253	\$ 215,487
Public Safety	\$ 79,622	\$ 78,986
Public Works	\$ 366,264	\$ 442,382
Parks & Recreation	\$ 13,889	\$ 19,843
Health & Human Services	\$ 47,564	\$ 40,022
Education	\$ 2,506,141	\$ 2,447,031
Assessments & Debt Service	\$ 138,616	\$ 142,328
<i>Total Expenses</i>	<i>\$ 3,397,349</i>	<i>\$ 3,386,079</i>
Changes in Net Position	\$ 213,553	\$ 64,202

Revenues by Source - Governmental Activities



Expenditures by Source - Governmental Activities



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 \$2,808,537, an increase of \$67,617 in comparison with the prior fiscal year. Approximately 23.1 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:

- \$69,872 negative variance in excise tax revenues. This is due to budgeting for usage of reserve funds.
- \$23,240 negative variance in state revenue sharing and state road assistance revenues. This is due to budgeted usage of these funds and reserve funds.
- \$48,606 positive variance in tax revenues due to supplemental taxes and a decrease in unavailable tax revenues.
- \$29,310 positive variance in other revenues. This is due to refunds from the MRC settlement.
- \$98,984 positive variance in all other revenues. This is primarily due to conservative budgeting.
- \$60,978 positive variance in net education revenue and expenditures. This is primarily due to a portion of the funding of the budget coming from surplus offset by conservative budgeting and controlled expenditures.
- \$50,720 positive variance in assessment expenditures. This is primarily due to budgeted overlay and unused contingency.
- \$25,577 positive variance in all other expenditures. This is mainly due to conservative budgeting and controlled expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental activities amounts to \$13,332,263; net of accumulated depreciation of \$7,438,287, leaving a net book value of \$5,893,976. There were current year additions of \$657,045 for the firehouse expansion project, \$9,600 of school department building improvements, \$67,261 of transfer station building improvements, \$31,945 of transfer station equipment purchases, \$12,043 of school department equipment purchases, \$41,272

for town office improvements, \$45,696 for renovations to the old school house, \$7,450 for salt shed door and \$198,300 of road improvements. There were no current year retirements or impairments. Additional information on the Town's capital assets can be found in Note 4 of the notes to the financial statements on page 20 of this report.

Debt

The Town has total notes payable outstanding of \$700,000 and \$4,472 of total outstanding capital leases that are backed by the full faith and credit of the Town. The Town entered into an agreement for long term debt for the firehouse expansion project totaling \$700,000. The outstanding debt decreased \$3,482 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 21 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, 2018

(Exhibit I)

	<i>Governmental Activities</i>	
	<i>2018</i>	<i>2017</i>
<i>Assets & Deferred Outflows</i>		
<i>Assets</i>		
Cash and Cash Equivalents	\$2,686,004	\$2,497,082
Investments, at Fair Market Value	\$256,215	\$252,353
Accounts Receivable	\$150,156	\$230,406
Taxes Due	\$190,677	\$183,978
Prepaid Expenses	\$14,601	\$13,810
Inventories	\$902	\$1,232
<i>Capital Assets</i>		
Land and Artwork	\$247,785	\$247,785
Other Capital Assets, net of Accumulated Depreciation	\$5,646,191	\$4,852,627
Total Capital Assets	\$5,893,976	\$5,100,412
<i>Total Assets</i>	\$9,192,530	\$8,279,274
<i>Deferred Outflows of Resources</i>		
Related to Pensions	\$40,788	\$33,696
<i>Total Deferred Outflows of Resources</i>	\$40,788	\$33,696
<i>Total Assets & Deferred Outflows</i>	\$9,233,318	\$8,312,970
<i>Liabilities, Deferred Inflows and Net Position</i>		
<i>Liabilities</i>		
<i>Short-Term Liabilities:</i>		
Accounts Payable	\$268,755	\$245,380
Accrued Contracted Salaries	\$119,167	\$110,585
Obligation Under Compensated Absences	\$17,936	\$0
<i>Long-Term Liabilities</i>		
Obligation Under Compensated Absences	\$9,200	\$14,645
Net Pension Liability	\$16,820	\$19,363
<i>Capital Lease Payable</i>		
Due within one year	\$2,987	\$3,482
Due in more than one year	\$1,485	\$4,472
<i>Notes Payable</i>		
Due within one year	\$18,145	\$0
Due in more than one year	\$681,855	\$51,498
<i>Total Liabilities</i>	\$1,136,348	\$449,424
<i>Deferred Inflows of Resources</i>		
Property Taxes Collected in Advance	\$30,587	\$7,731
Related to Pensions	\$6,236	\$9,222
<i>Total Deferred Inflows of Resources</i>	\$36,823	\$16,953
<i>Net Position</i>		
Net Investment in Capital Assets	\$5,189,504	\$5,040,961
Restricted	\$603,603	\$546,529
Unrestricted	\$2,267,040	\$2,259,103
<i>Total Net Position</i>	\$8,060,147	\$7,846,594
<i>Total Liabilities, Deferred Inflows and Net Position</i>	\$9,233,318	\$8,312,970

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

TOWN OF SURRY, MAINE

(Exhibit II)

STATEMENT OF ACTIVITIES**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<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>2018</u>	<u>2017</u>
<u>Governmental Activities</u>					
General Government	\$245,253	\$14,033		(\$231,220)	(\$200,685)
Public Safety	\$79,622	\$552		(\$79,070)	(\$78,202)
Public Works	\$366,264		\$28,736	(\$337,528)	(\$414,098)
Parks & Recreation	\$13,889			(\$13,889)	(\$19,843)
Health & Human Services	\$47,564	\$57,069		\$9,505	(\$40,022)
Education	\$2,506,141	\$13,556	\$222,172	(\$2,270,413)	(\$2,229,219)
Assessments	\$138,616			(\$138,616)	(\$142,328)
Total Governmental Activities	\$3,397,348	\$85,210	\$250,908	(\$3,061,231)	(\$3,124,397)
Total Primary Government	\$3,397,348	\$85,210	\$250,908	(\$3,061,231)	(\$3,124,397)
<u>General Revenues:</u>					
Tax Revenues, including Homestead Reimbursement				\$2,756,526	\$2,706,058
Excise Taxes				\$352,995	\$332,205
Municipal Revenue Sharing				\$24,824	\$23,028
Tree Growth Reimbursement & Penalties				\$40,886	\$21,681
Gain on Disposal of Tax Acquired Property				\$8,519	\$0
Interest Earned				\$33,365	\$26,571
Investment Gains (Losses)				\$13,662	\$22,098
Interest and Fees on Delinquent Taxes				\$14,698	\$14,908
Other Revenues				\$29,310	\$42,051
Total Revenues				\$3,274,785	\$3,188,599
Changes in Net Position				\$213,553	\$64,202
Net Position - Beginning				\$7,846,593	\$7,782,391
Net Position - Ending				\$8,060,147	\$7,846,593

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

TOWN OF SURRY, MAINE
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

(Exhibit III)

	<i>General</i>	<i>Permanent</i>	<i>Total</i>	
	<i>Fund</i>	<i>Fund</i>	<i>Governmental</i>	<i>2017</i>
			<i>Funds</i>	
<u>Assets</u>				
Cash and Cash Equivalents	\$2,661,280	\$24,724	\$2,686,004	\$2,497,082
Investments, at Fair Market Value		\$256,215	\$256,215	\$252,353
Accounts Receivable	\$150,156		\$150,156	\$230,406
Taxes Due	\$190,677		\$190,677	\$183,978
Prepaid Expenses	\$14,601		\$14,601	\$13,810
Inventory	\$902		\$902	\$1,232
Due From Other Funds		\$1,375	\$1,375	\$12,625
<u>Total Assets</u>	<u>\$3,017,616</u>	<u>\$282,314</u>	<u>\$3,299,930</u>	<u>\$3,191,487</u>
<u>Liabilities, Deferred Inflows & Fund Balances</u>				
<u>Liabilities:</u>				
Accounts Payable	\$268,755		\$268,755	\$245,380
Accrued Contracted Salaries	\$119,167		\$119,167	\$110,585
Obligation Under Compensated Absences	\$27,135		\$27,135	\$14,645
Due to Other Funds	\$1,375		\$1,375	\$12,625
<u>Total Liabilities</u>	<u>\$416,431</u>	<u>\$0</u>	<u>\$416,431</u>	<u>\$383,235</u>
<u>Deferred Inflows of Resources</u>				
Property Taxes Collected in Advance	\$30,587		\$30,587	\$7,731
Unavailable Property Tax Revenue	\$44,374		\$44,374	\$59,601
<u>Total Deferred Inflows of Resources</u>	<u>\$74,961</u>	<u>\$0</u>	<u>\$74,961</u>	<u>\$67,331</u>
<u>Fund Balances:</u>				
Nonspendable	\$902	\$193,329	\$194,231	\$193,985
Restricted	\$409,372		\$409,372	\$352,545
Committed	\$493,566		\$493,566	\$589,386
Assigned	\$973,152	\$88,985	\$1,062,138	\$1,038,146
Unassigned	\$649,231		\$649,231	\$566,859
<u>Total Fund Balances</u>	<u>\$2,526,223</u>	<u>\$282,314</u>	<u>\$2,808,537</u>	<u>\$2,740,920</u>
<u>Total Liabilities, Deferred Inflows & Fund Balances</u>	<u>\$3,017,616</u>	<u>\$282,314</u>	<u>\$3,299,930</u>	<u>\$3,191,487</u>
<u>Total Fund Balance - Governmental Funds</u>			\$2,808,537	
<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			\$5,893,976	
Deferred outflows of resources related to pension plans			\$40,788	
Deferred inflows of resources related to pension plans			(\$6,236)	
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			\$44,374	
Some liabilities are not due and payable in the current period and therefore, are not reported in the funds, including:				
Capital Lease Payable			(\$4,472)	
Notes Payable			(\$700,000)	
Net Pension Liability			(\$16,820)	
<u>Net Position of Governmental Activities</u>			<u>\$8,060,147</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, 2018

(Exhibit IV)

(Page 1 of 2)

	<i>General</i>	<i>Permanent</i>	<i>Total</i>	
	<i>Fund</i>	<i>Fund</i>	<i>Governmental</i>	<i>2017</i>
			<i>Funds</i>	
<u>Revenues:</u>				
Tax Revenues, including Homestead Reimbursement	\$2,771,753		\$2,771,753	\$2,709,649
Intergovernmental Revenues			\$0	\$7,636
Education	\$255,719		\$255,719	\$0.00
Excise Taxes	\$352,995		\$352,995	\$332,205
Municipal Revenue Sharing	\$24,824		\$24,824	\$23,028
State Road Assistance	\$28,736		\$28,736	\$28,284
Tree Growth Reimbursement & Penalties	\$40,886		\$40,886	\$21,681
Gain on Disposal of Tax Acquired Property	\$8,519		\$8,519	\$0
Donations	\$57,069		\$57,069	\$0
Licenses, Permits and Fees	\$14,585		\$14,585	\$15,585
Interest Earned	\$27,318	\$6,047	\$33,365	\$26,571
Investment Gains (Losses)	\$9,508	\$4,154	\$13,662	\$22,098
Interest and Fees on Delinquent Taxes	\$14,698		\$14,698	\$14,908
MRC Refund	\$20,869		\$20,869	\$0
Other Revenues	\$8,441		\$8,441	\$42,051
<u>Total Revenues</u>	<u>\$3,635,918</u>	<u>\$10,201</u>	<u>\$3,646,120</u>	<u>\$3,243,695</u>
<u>Expenditures(Net of Departmental Revenues):</u>				
<u>Current:</u>				
General Government	\$270,781	\$6,049	\$276,830	\$247,938
Public Safety	\$70,233		\$70,233	\$67,381
Public Works	\$453,214		\$453,214	\$431,273
Parks & Recreation	\$13,617		\$13,617	\$19,570
Health & Human Services	\$93,260		\$93,260	\$40,022
Education	\$2,524,189		\$2,524,189	\$2,213,541
Assessments	\$138,616		\$138,616	\$142,328
<u>Capital Outlay:</u>				
Capital Outlay	\$657,045		\$657,045	\$59,133
<u>Total Expenditures</u>	<u>\$4,220,956</u>	<u>\$6,049</u>	<u>\$4,227,005</u>	<u>\$3,221,187</u>
<u>Excess Revenues Over Expenditures</u>	<u>(\$585,037)</u>	<u>\$4,152</u>	<u>(\$580,886)</u>	<u>\$22,507</u>

TOWN OF SURRY, MAINE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Exhibit IV)
(Page 2 of 2)

	General Fund	Permanent Fund	Total Governmental Funds	2017
<u>Other Financing Sources (Uses);</u>				
Note Proceeds	\$648,502		\$648,502	\$51,498
Operating Transfers In			\$0	\$9,030
Operating Transfers Out			\$0	(\$9,030)
<u>Excess Revenues and Other Financing Sources</u> <u>Over Expenditures and Other Financing Uses</u>	\$63,465	\$4,152	\$67,617	\$74,005
<u>Beginning Fund Balance</u>	\$2,462,758	\$278,162	\$2,740,920	\$2,666,915
<u>Ending Fund Balance</u>	\$2,526,223	\$282,314	\$2,808,537	\$2,740,920
<u>Reconciliation to Statement of Activities, change in Net Position:</u>				
Net Change in Fund Balances - Above			\$67,617	
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)			\$12,620	
Note 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 note 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			(\$648,502)	
This amount represents long-term debt payments			\$3,482	
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			(\$15,227)	
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			\$1,070,612	
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.			(\$277,049)	
<u>Change in Net Position of Governmental Activities</u>			\$213,553	

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, 2018

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 fund:

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 Town also reports the following remaining funds:

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 120 days of sick leave at the rate of 15 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 general fund balance sheet for compensated sick pay for employees eligible for retirement. Under the current contract provisions, teachers who have taught in Surry for a minimum of years of service to the Department, and are eligible to retire are entitled to one fourth of their compensated sick pay at their per twenty years, have accumulated 100 sick days and are eligible to retire are entitled to up to thirty days of unused accumulated sick leave at their per diem rate at the time of departure.

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, 2018 fund balances on the balance sheet as follows:

	<i>General Fund</i>	<i>Permanent Fund</i>	<i>Total</i>
<u><i>Nonspendable</i></u>			
School Lunch Inventory	\$902		\$902
Cemetery Trust Principal		\$19,005	\$19,005
Ministerial School Principal		\$1,595	\$1,595
Good Citizenship Award Principal		\$1,909	\$1,909
Adams Book Trust Principal		\$44,360	\$44,360
Jordan Trust Principal		\$109,922	\$109,922
Bicentennial Scholarship Principal		\$16,538	\$16,538
<u><i>Restricted</i></u>			
Civil Defense Reserve	\$300		\$300
State Road Assistance Reserve	\$46,687		\$46,687
Cemetery Lot Sales Reserve	\$2,516		\$2,516
Old School Project Contributions Reserve	\$1,494		\$1,494
Recreation Reserve	\$5,556		\$5,556
Education Reserve	\$322,987		\$322,987
State Revenue Sharing Reserve	\$29,832		\$29,832
<u><i>Committed</i></u>			
Construction Project	\$41,093		\$41,093
Fire Department Capital Reserve	\$190,398		\$190,398
Patten Stream Fishway Reserve	\$1,158		\$1,158
Waterfront Capital Improvement Reserve	\$5,484		\$5,484
Memorial Park Reserve	\$4,688		\$4,688
School Operation Contingency Reserve	\$59,061		\$59,061
Capital Reserve	\$14,475		\$14,475
Municipal Capital Outlay Reserve	\$162,209		\$162,209
Old School Capital Outlay Reserve	\$15,000		\$15,000
<u><i>Assigned</i></u>			
Legal Reserve	\$50,017		\$50,017
Unified Development Ordinance Reserve	\$193		\$193
Boat Excise Reserve	\$6,406		\$6,406
Animal Control Reserve	\$5,714		\$5,714
Flag Fund Reserve	\$324		\$324
Town Line Reserve	\$860		\$860
Child Backpack Program	\$5,089		\$5,089
Excise Reserve	\$904,549		\$904,549
Cemetery Trust Income		(\$1,118)	(\$1,118)
Ministerial School Income		\$4,622	\$4,622
Good Citizenship Award Income		\$87	\$87
Adams Book Trust Income		\$12,781	\$12,781
Jordan Trust Income		\$70,485	\$70,485
Bicentennial Scholarship Income		\$2,129	\$2,129
<u><i>Unassigned</i></u>	\$649,231		\$649,231
<u><i>Total Fund Balances</i></u>	<u>\$2,526,223</u>	<u>\$282,314</u>	<u>\$2,808,537</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 \$603,603 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, \$19,005 for the Cemetery Trust Fund, \$109,922 for the Jordan Trust Fund, \$44,360 for the Adams Book Trust Fund and \$16,538 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 \$87 from the Good Citizenship Fund, \$4,622 from the Ministerial School Fund, (\$1,118) from the Cemetery Trust Fund, \$70,485 from the Jordan Trust Fund, \$12,781 from the Adams Book Trust Fund and \$2,129 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 Program. For time and savings deposit accounts, the Town's savings accounts, including certificates of deposit, are insured up to \$250,000 by the FDIC. Separately, for demand deposit accounts, the Town's cash accounts, including checking and money market accounts, are insured up to \$250,000 by the FDIC. Any cash deposits 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 \$2,335,046 and the bank balance was \$2,323,270. The Town has no uninsured and uncollateralized deposits as of June 30, 2018.

Investments

Investments are separated into short-term and long-term categories. All short-term investments are held in a brokerage account containing money market mutual funds. Long-term investments are held in a brokerage account that is invested in equity stocks, bond funds and government securities. All short-term and long-term investments are recorded based on level 1 inputs and measured on a recurring basis.

Short-term investments	
Cash and money market funds	\$23,122
Bond Funds	\$98,928
Government Securities	<u>\$9,980</u>
Total short-term investments	<u>\$132,030</u>
Long-term investments	
Equity securities	\$224,725
Bond Funds	\$188,422
Government Securities	<u>\$63,646</u>
Total long-term investments	<u>\$476,793</u>
	<u><u>\$608,822</u></u>

The Town has contracted with financial institutions for the safekeeping and management of its investments in order to maximize long-term gain while minimizing volatility. These investments are maintained as a funding source for scholarships, books and major capital projects within the Town.

Investment returns were as follows:

Investment income (loss)	<u>\$13,292</u>
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Return Objectives

Assets are to be invested to provide sufficient growth in the form of total return from dividends, income, earnings and price appreciation to meet the Town's requirements and to maintain a balance within the investment account for future availability as directed by each fund.

Risk Parameters

To meet the stated objectives, the Town's portfolio is divided between a fixed income and an equity position in order to provide a steady and consistent level of income as well as produce long-term appreciation of principal. The allocation of holdings should reasonably attempt to reduce overall portfolio volatility.

Fair Value

Certain assets are recorded at fair value to provide additional insight into the Town's financial position. These certain assets are measured on a recurring basis. Assets are grouped in three levels, based on the markets in which the assets are traded and the reliability of the assumptions used to determine value. A brief description of each follows:

- | | |
|-----------|---|
| Level 1 - | Valuation is based on quoted prices for identical instruments in active markets. |
| Level 2 - | Valuation is based on quoted prices for similar instruments or on prices determined from inactive markets or on model-based techniques. |
| Level 3 - | Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. |

Fair values of assets at June 30, 2018 measured on a recurring basis are as follows:

	<u>2018 Fair Value</u>
Quoted Prices in Active Markets (Level 1)	
Cash and money market funds	<u>\$23,122</u>
Equity securities	
Common stocks	<u>\$224,725</u>
Fixed income funds	
Short-term bond funds	\$98,928
Long-term bond funds	\$188,422
Government Securities	<u>\$73,625</u>
Total Fixed income mutual funds	\$360,976
 Total	 <u><u>\$608,822</u></u>

Note 3 - Property Taxes

Property taxes were assessed on April 1, 2017 and committed on July 18, 2017. 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, \$44,374 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, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
<u>Capital assets not being depreciated</u>				
Land and Artwork	\$247,785			\$247,785
<u>Capital assets being depreciated</u>				
Buildings and Improvements	\$2,270,121	\$828,324		\$3,098,445
Equipment	\$509,529	\$43,988		\$553,517
Infrastructure	\$9,234,216	\$198,300		\$9,432,517
<u>Total capital assets being depreciated</u>	<u>\$12,013,866</u>	<u>\$1,070,612</u>	<u>\$0</u>	<u>\$13,084,478</u>
<u>Less accumulated depreciation for</u>				
Buildings and Improvements	\$1,083,116	\$55,114		\$1,138,230
Equipment	\$430,907	\$17,769		\$448,676
Infrastructure	\$5,647,216	\$204,166		\$5,851,382
<u>Total accumulated depreciation</u>	<u>\$7,161,239</u>	<u>\$277,049</u>	<u>\$0</u>	<u>\$7,438,288</u>
<u>Net capital assets being depreciated</u>	<u>\$4,852,627</u>	<u>\$793,564</u>	<u>\$0</u>	<u>\$5,646,191</u>
<u>Governmental Activities, Capital Assets, net</u>	<u>\$5,100,412</u>	<u>\$793,564</u>	<u>\$0</u>	<u>\$5,893,976</u>

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

Governmental Activities

General Government	\$11,284
Public Safety	\$9,389
Education	\$38,098
Recreation	\$272
Public Works, including depreciation of general infrastructure assets	\$218,006
Total Depreciation Expense - Governmental Activities	<u>\$277,049</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, 2018, the offsetting receivable and payable balance was \$1,375, which represents the net of a budgeted cemetery trust transfer to the general fund and perpetual care money to be transferred from the general fund to the cemetery trust. Monies are held in the General Fund for ease of investing and disbursements. These funds have sufficient liquid assets to retire the interfund balances at any given time.

Note 6 - Obligation Under Contracted Services

An obligation for July 2018 and August 2018 salaries for employees under September 2017 through August 2018 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, 2018:

<u>Long-Term Debt payable at July 1:</u>	\$59,451
Long-Term Debt Proceeds	\$648,502
Long-Term Debt retired	<u>(\$3,482)</u>
<u>Long-Term Debt payable June 30:</u>	<u><u>\$704,472</u></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, 2018 are as follows:

In November 2014, the Town 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, 2018 was \$2,724. 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, 2018 was \$0. This lease is accounted for as a capital lease and has been 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, 2018 was \$1,747. This lease is accounted for as a capital lease and is to be repaid through local allocations.

In June 2017, the Town entered into a commitment agreement with the First National Bank for the purpose of borrowing funds for the expansion of the firehouse. The loan functioned as a construction loan with proceeds from the loan as expenses were incurred. At project completion, June 1, 2018, loan proceeds were rolled into a 25 year note as described below.

In June 2018, the Town entered into an agreement for a promissory note with the First National Bank for the purpose of financing the expansion of the firehouse as well as improvements to the Town office building. The principal value of the note is \$700,000. Repayment of the note is expected over a period of 25 years with interest at 3.375%. Payments are due monthly in the amount of \$3,457.61, including interest. The balance at June 30, 2018 was \$700,000 and is to be repaid through local allocations.

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

<i>Fiscal Year</i> <i>Ended</i>	<i>Principal</i>	<i>Estimated</i> <i>Interest</i>	<i>Total</i>
2019	\$21,132	\$23,537	\$44,669
2020	\$20,252	\$22,751	\$43,003
2021	\$19,411	\$22,081	\$41,491
2022	\$20,076	\$21,415	\$41,491
2023-2043	\$623,601	\$247,718	\$871,319
	<u>\$704,472</u>	<u>\$337,502</u>	<u>\$1,041,974</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, 2018, the member contribution rate was 7.65% and the employer contribution rate was 3.97% of applicable member compensation. The employer is also responsible for contributing 11.68% of all federally funded member compensation. The State of Maine, as a non-employer contributing entity, pays 11.08% of the applicable member compensation into the System.

The required contributions paid into the System for the year ended June 30, 2018 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>
2018	\$63,796	\$34,788	\$90,805	\$833,931	\$14,388
2017	\$58,393	\$27,140	\$75,069	\$763,313	\$14,126
2016	\$55,016	\$25,529	\$84,326	\$719,162	\$12,914

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, 2018, the School Department reported a net pension liability of \$16,820. The net pension liability was measured as of June 30, 2017 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, 2017 the School Department's proportion was 0.001%, which remained the same as its proportion measured at June 30, 2016.

For the fiscal year ended June 30, 2018, the School Department recognized pension expense of \$22,170. At June 30, 2018, 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	\$708	\$0
Changes in Assumptions	\$0	\$262
Net Difference between projected between projected and actual earnings on pension plan investments	\$4,693	\$4,941
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$599	\$1,033
Employer contributions made subsequent to measurement date	\$34,788	\$0
	<u>\$40,788</u>	<u>\$6,236</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>	
2018	\$33,845
2019	\$1,494
2020	\$112
2021	(\$900)

F. Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary Increases	2.75% - 14.50% at selected years of service
Investment Rate of Return	6.875%, net of administrative and pension plan investment expense
Cost of Living Benefit Increases	2.20%

For the School Department employees, the mortality rate is based on the RP2014 Total Dataset Healthy Annuitant Mortality Table for males and females.

The actuarial assumptions used in the June 30, 2017 valuation were based on the Entry Age Normal actuarial funding method. Under this funding method, the total employer contribution rate consists of two elements, the normal cost rate and the unfunded actuarial liability rate.

The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each employee. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of their expected future salary. The normal cost for each employee is the product of their pay and their normal cost rate. The normal cost for the group is the sum of the normal costs for all members.

Experience gains and losses, i.e. decreases or increases in liabilities and/or in assets when actual experience differs from the actuarial assumptions, affect the unfunded actuarial accrued liability.

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, 2017 are summarized in the following table:

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Long-Term Expected Real Rate of Return</i>
Public Equities	30.0%	6.0%
U.S. Government	7.5%	2.3%
Private Equity	15.0%	7.6%
Real Assets:		
Real Estate	10.0%	5.2%
Infrastructure	10.0%	5.3%
Natural Resources	5.0%	5.0%
Traditional Credit	7.5%	3.0%
Alternative Credit	5.0%	4.2%
Diversifiers	10.0%	5.9%
	100%	

G. Discount Rate

The discount rate used to measure the total pension liability was 6.875%. 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 6.875%, 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 (5.875%) or 1 percentage point higher (7.875%) than the current rate:

	<i>1% Decrease (5.875%)</i>	<i>Current Discount Rate (6.875%)</i>	<i>1% Increase (7.875%)</i>
Proportionate Share of the Net Pension Liability	\$29,515	\$16,820	\$6,339

I. Pension Plan Financial and Actuarial Information

Additional financial information and actuarial information can be found in the Systems' 2017 Comprehensive Annual Financial Report available online at www.mainepe.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 \$1,000 for the fiscal year ended June 30, 2017 and \$750 for the fiscal year ended June 30, 2018.

Note 10 - Other Post Employment Benefits

A. Plan Description

Qualifying personnel of the District participate in the Group Life Insurance Plan for Retired State Employees and Teachers as provided by the Maine Public Employees Retirement System (SET Plan). The plan is a multiple-employer, cost sharing plan with a special funding situation. As of June 30, 2017 there were 220 employers, including the State of Maine participating in the plan. The State of Maine is also a non-employer contributing entity in that the State pays contributions for retired public school teachers in the Plan.

The Group Life Insurance Plan for Retired Participating Local District (PLD) (PLD Consolidated Plan) employees is a multiple-employer cost sharing plan. As of June 30, 2017, there were 138 employers participating in the plan.

B. Benefits

The Group Life Insurance Plans (the Plans) provide basis group life insurance benefits, during retirement to retirees who participated in the Plans prior to retirement for a minimum of 10 years (the 10 year participation requirement does not apply to recipients of disability retirement benefits). The level of coverage in retirement is initially set to an amount equal to the retiree's average final compensation. The initial amount of basic life is then subsequently reduced at a rate of 15% per year to the greater of 40% of the initial amount or \$2,500.

C. Funding Policy

Premium rates are those determined by the System's Board of Trustees to be actuarially sufficient to pay anticipated claims. Premiums for basic life insurance for retired teachers are paid by the State as the total dollar amount of each year's annual required contribution. PLD employers are required to remit monthly a premium of \$0.46 per \$1,000 of coverage for covered active employees, a portion of which is to provide a level of coverage in retirement. PLD employers with retired PLD employees continue to remit a premium of \$0.46 per \$1,000 of coverage per month during the post-employment retired period.

D. Actuarial Methods and Assumptions

The collective total OPEB liability for the plans was determined by an actuarial valuation as of June 30, 2017, using the following methods and assumptions, applied to all periods included in the measurement:

Actuarial Cost Method

Projections of benefits for financial reporting purposes are based on the provisions of the Plans in effect at the time of each valuation and the historical pattern of sharing of premium costs between the employer and plan members. Actuarial methods and assumptions include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of the assets, consistent with the long-term perspective of the funding methodologies. Costs are developed using the individual entry age normal cost method based on a level percentage of payroll. Experience gains and losses, i.e., actual decreases or increases in the liabilities and/or in assets which differ from the actuarial assumptions, affect the unfunded actuarial accrued liability.

Asset Valuation Method

Investments are reported at fair value.

Significant Actuarial Assumptions

Inflation	2.75%
Salary Increases	2.75% - 14.50% at selected years of service
Investment Rate of Return	6.875%, net of administrative and pension plan investment expense
Participation Rates for Future Retirees	100% of those currently enrolled

Significant Actuarial Assumptions (Continued)

Conversion Charges	Apply to the cost of active group life insurance, not retiree group life insurance
Form of Benefit Payment	Lump Sum

For the District employees, the mortality rate is based on the RP2014 Total Dataset Healthy Annuitant Mortality Tables for males and females.

E. On-Behalf Payments

As mentioned in Section A. above, contributions are made by the System for participating retired teachers. The summary below provides the District's allocation of these contributions as well as the proportionate share of the Net OPEB liability. The Net OPEB Liability is not recorded on the District financial statements since it is a liability of the State of Maine and not a liability of the District.

	<i>Allocation of:</i>		
	<i>On-Behalf Payments</i>	<i>Benefits Expense</i>	<i>Net OPEB Liability</i>
2017	\$1,928	\$2,367	\$21,271

Note 11 - Restricted Net Position

The Town reports restricted net position totaling \$603,603 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 12 - 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 13 - 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, 2018.

Note 14 - 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 estimated as follows:

	<i>Surry</i> <i>(1/3 Share)</i>	<i>Blue Hill</i> <i>(2/3 Share)</i>	<i>12/31/17</i> <i>Total</i>
Assets	\$512,401	\$1,024,817	\$1,537,219
Liabilities	\$22,076	\$44,153	\$66,230
Deferred Inflows	\$7,683	\$15,365	\$23,048
Net Position	\$482,642	\$965,299	\$1,447,941
Revenues	\$239,057	\$478,122	\$717,179
Expenses	\$272,331	\$544,670	\$817,001
Changes in Net Position	(\$33,274)	(\$66,548)	(\$99,822)

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, 2018

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
<u>Revenues:</u>				
Tax Revenues	\$2,685,629	\$2,685,629	\$2,734,234	\$48,605
Homestead Reimbursement	\$37,519	\$37,519	\$37,519	\$0
Excise Taxes	\$422,867	\$422,867	\$352,995	(\$69,872)
Municipal Revenue Sharing	\$46,800	\$46,800	\$24,824	(\$21,976)
State Road Assistance	\$30,000	\$30,000	\$28,736	(\$1,264)
Tree Growth Reimbursement & Penalties	\$16,575	\$16,575	\$40,886	\$24,311
Gain on Disposal of Tax Acquired Property	\$0	\$0	\$8,519	\$8,519
Licenses, Permits and Fees	\$0	\$0	\$14,585	\$14,585
Interest Earned	\$0	\$0	\$27,318	\$27,318
Investment Gains (Losses)	\$0	\$0	\$9,508	\$9,508
Interest and Fees on Delinquent Taxes	\$0	\$0	\$14,698	\$14,698
Veteran's Reimbursement	\$0	\$0	\$1,030	\$1,030
MRC Refund	\$0	\$0	\$20,869	\$20,869
Other Revenues	\$0	\$0	\$7,411	\$7,411
<u>Total Revenues</u>	<u>\$3,239,389</u>	<u>\$3,239,389</u>	<u>\$3,323,131</u>	<u>\$83,742</u>
<u>Expenditures (Net of Department Revenues):</u>				
General Government	\$238,229	\$238,229	\$270,781	(\$32,552)
Public Safety	\$728,770	\$728,770	\$727,279	\$1,492
Public Works	\$475,267	\$475,267	\$453,214	\$22,053
Parks & Recreation	\$24,550	\$24,550	\$13,617	\$10,933
Health & Human Services	\$27,290	\$27,290	\$36,191	(\$8,901)
Education	\$2,329,449	\$2,329,449	\$2,268,471	\$60,978
Assessments	\$189,336	\$189,336	\$138,616	\$50,720
<u>Total Expenditures</u>	<u>\$4,012,892</u>	<u>\$4,012,892</u>	<u>\$3,908,168</u>	<u>\$104,723</u>
<u>Excess Revenues Over Expenditures</u>	<u>(\$773,502)</u>	<u>(\$773,502)</u>	<u>(\$585,037)</u>	<u>\$188,465</u>
<u>Other Financing Sources:</u>				
Note Proceeds	\$648,502	\$648,502	\$648,502	\$0
<u>Net Change in Fund Balance</u>	<u>(\$125,000)</u>	<u>(\$125,000)</u>	<u>\$63,465</u>	<u>\$188,465</u>
<u>Beginning Fund Balances</u>	<u>\$2,462,758</u>	<u>\$2,462,758</u>	<u>\$2,462,758</u>	<u>\$0</u>
<u>Ending Fund Balances</u>	<u>\$2,337,758</u>	<u>\$2,337,758</u>	<u>\$2,526,223</u>	<u>\$188,465</u>

TOWN OF SURRY, MAINE

(Exhibit VI)

REQUIRED SUPPLEMENTARY INFORMATIONSCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITYMAINE PUBLIC EMPLOYEES RETIREMENT SYSTEMFOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<i>For the Fiscal Year Ended June 30, 2018</i>	<i>For the Fiscal Year Ended June 30, 2017</i>	<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%	0.001%	0.001%	0.002%
Proportionate Share of the Net Pension Liability (Asset)	\$16,820	\$19,363	\$17,822	\$23,195
Covered Employee Payroll	\$833,931	\$763,313	\$719,162	\$603,658
Proportionate Share of the Net Pension Liability (Asset) as a % Of Its Covered Employee Payroll	2.017%	2.537%	2.478%	3.842%
Plan Total Pension Liability	\$13,484,886,512	\$13,069,954,948	\$12,616,287,054	\$12,320,158,783
Plan Fiduciary Net Position	\$10,893,291,864	\$9,960,335,390	\$10,242,097,022	\$10,337,615,927
Plan Net Pension Liability	\$2,591,594,648	\$3,109,619,558	\$2,374,190,032	\$1,982,542,856
Plan Fiduciary Net Position as a % Of the Total Pension Liability	80.78%	76.21%	81.18%	83.91%
Plan Covered Employee Payroll	\$1,860,230,663	\$1,816,435,084	\$1,699,190,889	\$1,676,857,294
Plan Net Pension Liability as a % Of the Covered Employee Payroll	139.32%	171.19%	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 VII)

REQUIRED SUPPLEMENTARY INFORMATIONSCHEDULE OF EMPLOYER CONTRIBUTIONSMAINE PUBLIC EMPLOYEES RETIREMENT SYSTEMFOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<i>For the Fiscal Year Ended June 30, 2018</i>	<i>For the Fiscal Year Ended June 30, 2017</i>	<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	\$34,788	\$27,140	\$25,529	\$18,113
Actual Contribution	<u>(\$34,788)</u>	<u>(\$27,140)</u>	<u>(\$25,529)</u>	<u>(\$18,113)</u>
Contribution Deficiency	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered Employee Payroll	\$833,931	\$763,313	\$719,162	\$603,658
Contributions as a % of Covered Employee Payroll	4.172%	3.556%	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
NOTES TO HISTORICAL PENSION INFORMATION
MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Note 1 - Actuarial Methods and Assumptions

The information in the historical pension information was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation date, June 30, 2017, is as follows:

A. Actuarial Cost Method

The Entry Age Normal actuarial funding method is used to determine costs. Under this funding method, the total employer contribution rate consists of two elements, the normal cost rate and the unfunded actuarial liability rate.

The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each employee. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of their expected future salary. The normal cost for each employee is the product of their pay and their normal cost rate. The normal cost rate for the group is the sum of the normal costs for all members.

Experience gains and losses, i.e. decreases or increases in liabilities and/or assets when actual experience differs from the actuarial assumptions, affect the unfunded actuarial accrued liability.

B. Asset Valuation Method

An actuarial value of assets is used for determining employer contributions. The use of an actuarial value of assets for this purpose helps mitigate volatility in contribution rates that might otherwise occur due to fluctuations in market conditions. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the actuarial assumption for investment return.

C. Amortization

The net pension liability is amortized on a level percentage of payroll over the amortization period then in effect in statutory and constitutional requirements. The statutory and constitutional requirements include an amendment to the Maine Constitution approved in November 1995 that requires the State of Maine to fund the unfunded actuarial liability existing on June 30, 1996, over a period not to exceed 31 years beginning on July 1, 1997, and not later than June 30, 2028. The Amendment prohibits the creation of new unfunded liabilities in the Plan except those arising from experience losses, which must be funded over a period of not more than ten years. In addition, the amendment requires the use of actuarially sound current cost accounting, reinforcing existing statutory requirements.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2017 are as follows:

Inflation	2.75%
Salary Increases	2.75% - 14.50% at selected years of service
Investment Rate of Return	6.875%, net of administrative and pension plan investment expense
Cost of Living Benefit Increases	2.20%

For members, the mortality rate is based on the RP2014 Total Dataset Healthy Annuitant Mortality Table for males and females. The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period of June 30, 2012 to June 30, 2015. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. There were no changes in assumptions for the fiscal year ended June 30, 2017.

SCHEDULE OF DEPARTMENTAL OPERATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Budget</u>	<u>Actual Expenditure</u>	<u>Transfers (In)/Out</u>	<u>Unexpended or (Overdraft)</u>
<u>Non Continuing Appropriation Accounts:</u>				
<u>General Government</u>				
Administration	\$194,750	\$174,515	(\$983)	\$21,218
Assessing	\$25,710	\$25,894		(\$184)
Planning Board & Board of Appeals	\$1,920	\$1,727	\$193	\$0
Code Enforcement	\$12,775	\$7,188		\$5,587
Municipal Building Operations	\$21,750	\$61,230		(\$39,480)
Conservation Commission	\$700	\$226		\$474
	<u>\$257,605</u>	<u>\$270,781</u>	<u>(\$791)</u>	<u>(\$12,385)</u>
<u>Public Safety</u>				
Fire Department Operations	\$40,625	\$31,697		\$8,928
Fire Department Equipment	\$11,000	\$11,705		(\$705)
Fire Department Building Expansion	\$0	\$0	\$8,543	(\$8,543)
Ambulance	\$19,543	\$18,640		\$903
Harbor Master	\$1,250	\$527		\$723
Animal Control Officer	\$3,975	\$2,888	\$1,087	\$0
911 Addressing	\$3,575	\$3,506		\$69
Street Lights	\$1,300	\$1,269		\$31
	<u>\$81,268</u>	<u>\$70,233</u>	<u>\$9,630</u>	<u>\$1,405</u>
<u>Public Works</u>				
Road Commissioner	\$8,745	\$8,235	\$510	\$0
Winter Roads	\$172,200	\$166,817	\$5,383	\$0
Town Roads & Bridges	\$39,500	\$48,571	(\$9,071)	\$0
Cutting Roadside Bushes	\$5,000	\$4,857	\$143	\$0
Road Reconstruction	\$100,000	\$104,514	(\$4,514)	\$0
Paving	\$20,000	\$0	\$20,000	\$0
Cemeteries	\$13,500	\$13,328		\$172
Septic Sludge Disposal	\$2,900	\$3,741		(\$841)
Solid Waste Transfer Station	\$113,422	\$112,631		\$791
	<u>\$475,267</u>	<u>\$462,693</u>	<u>\$12,452</u>	<u>\$122</u>
<u>Parks & Recreation</u>				
Recreation Programs	\$7,950	\$3,768		\$4,182
Memorial Park	\$3,650	\$3,419	\$231	\$0
Waterways	\$7,900	\$2,417	\$5,484	\$0
Alewife Committee	\$100	\$0	\$100	\$0
Osgood Lot	\$4,950	\$4,013		\$937
	<u>\$24,550</u>	<u>\$13,617</u>	<u>\$5,815</u>	<u>\$5,119</u>

TOWN OF SURRY, MAINE

(Exhibit A-1)

SCHEDULE OF DEPARTMENTAL OPERATIONS - CONTINUEDFOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Budget</u>	<u>Actual Expenditures</u>	<u>Transfers (In)/Out</u>	<u>Unexpended or (Overdraft)</u>
<u>Health & Human Services</u>				
General Assistance	\$6,430	\$19,273		(\$12,843)
Libraries	\$10,581	\$10,581		\$0
Community Service Agencies	\$9,779	\$9,779		\$0
Historical Society (Old Town Hall)	\$500	\$179		\$321
Old School House	\$21,460	\$40,766	(\$19,306)	\$0
	<u>\$48,750</u>	<u>\$80,578</u>	<u>(\$19,306)</u>	<u>(\$12,522)</u>
<u>Overlay</u>	\$40,720	\$0		\$40,720
<u>Assessments & Debt Service</u>				
County Tax	\$138,616	\$138,616		(\$0)
Contingency	\$10,000	\$0		\$10,000
	<u>\$148,616</u>	<u>\$138,616</u>	<u>\$0</u>	<u>\$10,000</u>
<u>Totals</u>	<u>\$1,076,776</u>	<u>\$1,036,518</u>	<u>\$7,799</u>	<u>\$32,459</u>

TOWN OF SURRY, MAINE

(Exhibit A-2)

SCHEDULE OF CHANGES IN UNASSIGNED FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>Beginning Unassigned Fund Balance</u>		\$566,859
<u>Additions:</u>		
Lapsed Accounts (Exhibit A-1)	\$32,459	
Decrease in Unavailable Tax Revenue	\$15,227	
Appropriated Abatements	\$15,000	
Tree Growth Reimbursements and Penalties (net of appropriation)	\$24,311	
Supplemental Taxes	\$19,720	
Gain on Sale of Tax Acquired Property	\$8,519	
Interest Earned	\$26,013	
Interest on Delinquent Taxes	\$14,701	
Licenses, Permits & Fees	\$14,433	
Veteran's Reimbursement	\$1,030	
Grant Revenue	\$9,479	
MRC Refund	\$20,869	
Other Revenues	\$6,957	
<u>Total Additions</u>		\$208,717
<u>Reductions:</u>		
Appropriated Revenues	\$125,000	
Abatements	\$1,344	
<u>Total Reductions</u>		\$126,344
<u>Ending Unassigned Fund Balance</u>		\$649,231

TOWN OF SURRY, MAINE

(Exhibit A-3)

SCHEDULE OF VALUATION, COMMITMENT AND COLLECTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>Total Taxable Valuation</u>		\$312,211,400
Tax Rate per \$1,000 Valuation		<u>\$8.65</u>
<u>Tax Assessment</u>		\$2,700,629
<u>Collections and Adjustments:</u>		
Cash Collections	\$2,552,197	
Abatements Granted	\$1,344	
Supplemental Taxes	<u>(\$19,720)</u>	
<u>Total Collections and Adjustments</u>		<u>\$2,533,822</u>
<u>Uncollected Taxes June 30:</u>		<u><u>\$166,807</u></u>

<i>Other Revenues</i>	<i>Total Available</i>	<i>Transfers In/(Out)</i>	<i>Expenditures</i>	<i>Expenditure Appropriations</i>	<i>6/30/2018 Balance</i>
	\$69,326	(\$983)		\$18,326	\$50,017
	\$1,050	\$193		\$1,050	\$193
	\$162,209				\$162,209
	\$190,398				\$190,398
\$648,502	\$648,502	\$8,543	\$657,045		\$0
	\$300				\$300
\$552	\$5,627	\$1,087		\$1,000	\$5,714
\$4,896	\$14,106			\$7,700	\$6,406
\$28,736	\$56,687	\$20,000		\$30,000	\$46,687
	\$2,516				\$2,516
	\$860				\$860
	\$153,313	(\$112,220)			\$41,093
\$255,719	\$2,908,079		\$2,524,189	\$60,000	\$323,889
	\$59,061				\$59,061
	\$5,556				\$5,556
	\$4,457	\$231			\$4,688
	\$0	\$5,484			\$5,484
	\$1,058	\$100			\$1,158
\$45,285	\$48,198	(\$19,306)	\$5,938	\$21,460	\$1,494
	\$15,000				\$15,000
\$11,784	\$11,834		\$6,744		\$5,089
\$348,099	\$1,215,044	\$104,672		\$415,167	\$904,549
	\$14,475				\$14,475
	\$324				\$324
\$54	(\$0)				(\$0)
\$24,824	\$76,632			\$46,800	\$29,832
<u>\$1,368,451</u>	<u>\$5,664,612</u>	<u>\$7,799</u>	<u>\$3,193,917</u>	<u>\$601,503</u>	<u>\$1,876,992</u>

TOWN OF SURRY, MAINE
COMBINED BALANCE SHEET - PERMANENT FUNDS
JUNE 30, 2018

(Exhibit A-6)

	<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 2018</u>	<u>2017</u>
<u>Assets</u>								
Cash & Cash Equivalents	\$1,996	\$6,217	\$16,512				\$24,724	\$24,434
Investments, at Fair Market Value				\$180,407	\$57,141	\$18,667	\$256,215	\$252,353
Due from Other Funds			\$1,375				\$1,375	\$7,000
<u>Total Assets</u>	<u>\$1,996</u>	<u>\$6,217</u>	<u>\$17,887</u>	<u>\$180,407</u>	<u>\$57,141</u>	<u>\$18,667</u>	<u>\$282,314</u>	<u>\$283,787</u>
<u>Liabilities</u>								
Due to Other Funds							\$0	\$5,625
<u>Total Liabilities</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$5,625</u>
<u>Fund Balances</u>								
Restricted	\$1,909	\$1,595	\$19,005	\$109,922	\$44,360	\$16,538	\$193,329	\$192,752
Unrestricted	\$87	\$4,622	(\$1,118)	\$70,485	\$12,781	\$2,129	\$88,985	\$85,410
<u>Total Fund Balances</u>	<u>\$1,996</u>	<u>\$6,217</u>	<u>\$17,887</u>	<u>\$180,407</u>	<u>\$57,141</u>	<u>\$18,667</u>	<u>\$282,314</u>	<u>\$278,162</u>
<u>Total Liabilities and Fund Balances</u>	<u>\$1,996</u>	<u>\$6,217</u>	<u>\$17,887</u>	<u>\$180,407</u>	<u>\$57,141</u>	<u>\$18,667</u>	<u>\$282,314</u>	<u>\$283,787</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, 2018**

	<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 2018</u>	<u>2017</u>
<u>Revenues:</u>								
Perpetual Care							\$0	\$2,240
Investment Earnings, net of Fees	\$23	\$73	\$194	\$4,072	\$1,270	\$415	\$6,047	\$5,656
Investment Gains (Losses)				\$2,819	\$868	\$284	\$3,971	\$5,433
Increase (Decrease) in Fair Market Value				\$117	\$50	\$16	\$183	\$437
<u>Total Revenue</u>	<u>\$23</u>	<u>\$73</u>	<u>\$194</u>	<u>\$7,007</u>	<u>\$2,189</u>	<u>\$715</u>	<u>\$10,201</u>	<u>\$13,766</u>
<u>Expenses:</u>								
Cemetery Lot Buyback							\$0	\$225
Scholarships				\$4,000			\$4,000	\$1,500
Bank Charges/Fees				\$1,450	\$452	\$148	\$2,049	\$1,975
<u>Total Expenses</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$5,450</u>	<u>\$452</u>	<u>\$148</u>	<u>\$6,049</u>	<u>\$3,700</u>
<u>Excess Revenue over Expenses</u>	<u>\$23</u>	<u>\$73</u>	<u>\$194</u>	<u>\$1,557</u>	<u>\$1,737</u>	<u>\$568</u>	<u>\$4,152</u>	<u>\$10,067</u>
<u>Beginning Fund Balance</u>	<u>\$1,972</u>	<u>\$6,144</u>	<u>\$17,693</u>	<u>\$178,850</u>	<u>\$55,404</u>	<u>\$18,099</u>	<u>\$278,162</u>	<u>\$268,096</u>
<u>Ending Fund Balance</u>	<u>\$1,996</u>	<u>\$6,217</u>	<u>\$17,887</u>	<u>\$180,407</u>	<u>\$57,141</u>	<u>\$18,667</u>	<u>\$282,314</u>	<u>\$278,162</u>
<u>Analysis of Fund Balance:</u>								
Nonexpendable Principal - Beg of Year	\$1,909	\$1,595	\$19,005	\$109,922	\$43,925	\$16,396	\$192,752	\$190,060
Additions (Reductions) to Principal					\$434	\$142	\$576	\$2,692
Nonexpendable Principal - End of Year	\$1,909	\$1,595	\$19,005	\$109,922	\$44,360	\$16,538	\$193,329	\$192,752
Expendable	\$87	\$4,622	(\$1,118)	\$70,485	\$12,781	\$2,129	\$88,985	\$85,410
<u>Total Fund Balance</u>	<u>\$1,996</u>	<u>\$6,217</u>	<u>\$17,887</u>	<u>\$180,407</u>	<u>\$57,141</u>	<u>\$18,667</u>	<u>\$282,314</u>	<u>\$278,162</u>

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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	\$24,000	\$24,000
Local Entitlement	84.027	013-05A-3046-12	\$48,684	\$58,319
Rural Education Achievement Program	84.213	013-05A-6336-13	\$16,059	\$16,059
<u>Total State of Maine Department of Education</u>			\$88,743	\$98,378
<u>Total U.S. Department of Education</u>			\$88,743	\$98,378
<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	-	\$23,792	\$23,792
National School Lunch Program - Breakfast	10.555	-	\$9,304	\$9,304
Food Distribution - Donated Commodities	10.550	-	\$3,561	\$3,843
<u>Total U.S. Department of Agriculture</u>			\$36,657	\$36,939
<u>U.S. Department of Homeland Security</u>				
Federal Emergency Management Agency	97.036	-	\$7,899	\$7,899
<u>Total U.S. Department of Homeland Security</u>			\$7,899	\$7,899
<u>Totals</u>			\$133,300	\$143,217