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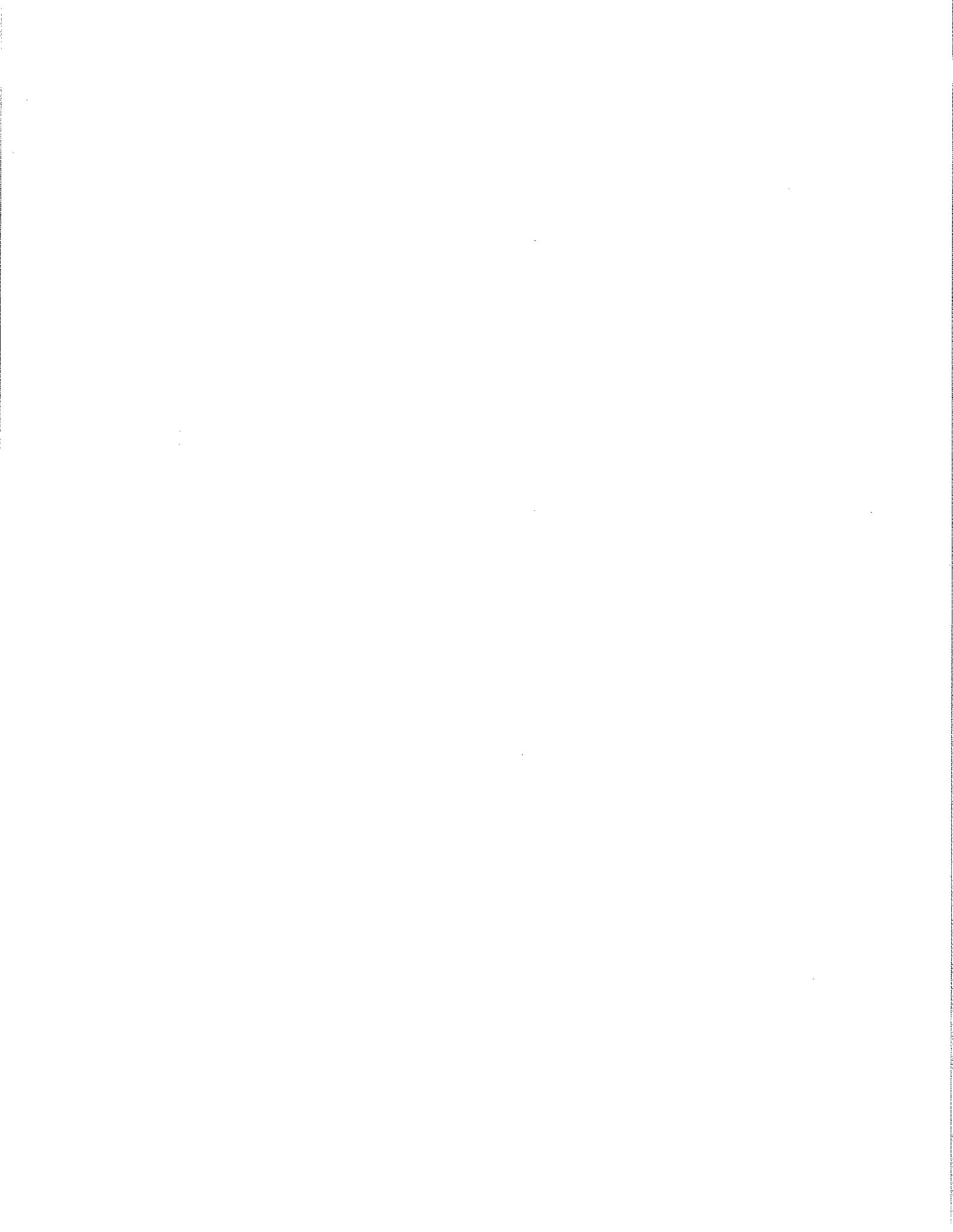
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TOWN OF FALMOUTH, MAINE
Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2013

Prepared by:

Robert Boschen
Finance Director

Cover photograph by:
Carrie Aube



TOWN OF FALMOUTH, MAINE
Comprehensive Annual Financial Report
For the year ended June 30, 2013

Table of Contents

Page
Number

INTRODUCTORY SECTION

Letter of Transmittal	1-4
Certificate of Achievement for Excellence in Financial Reporting	5
Organizational Chart	7
List of Principal Officials	8

FINANCIAL SECTION

Independent Auditor's Report	11-13
Management's Discussion and Analysis	15-26

Statements

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Position	1	29
Statement of Activities	2	30

Fund Financial Statements:

Balance Sheet - Governmental Funds	3	31
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	4	32
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5	33
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual - General Fund	6	34
Statement of Net Position – Proprietary Funds	7	35
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	8	36
Statement of Cash Flows – Proprietary Funds	9	37
Statement of Fiduciary Net Position – Fiduciary Funds	10	38

Notes to the Financial Statements	39-61
-----------------------------------	-------

Required Supplementary Information:

Schedule of Funding Progress – Retiree Healthcare Plan	62
--	----

Exhibits

Combining and Individual Fund Statements and Schedules:

Nonmajor Governmental Funds:

Combining Balance Sheet – Nonmajor Governmental Funds	A-1	65
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	A-2	66

Agency Funds:

Combining Statement of Fiduciary Net Position	B-1	69
Statement of Changes in Assets and Liabilities	B-2	70

Capital Project Funds:

Capital Project Fund Activity	C	73
-------------------------------	---	----

TOWN OF FALMOUTH, MAINE
Comprehensive Annual Financial Report
For the year ended June 30, 2013

Table of Contents, Continued

	<u>Table Number</u>	<u>Page Number</u>
STATISTICAL SECTION		
Net Position by Component	1	79
Changes in Net Position	2	80-81
Governmental Activities Tax Revenues by Source	2A	82
Fund Balances of Governmental Funds	3	83
Changes in Fund Balances of Governmental Funds	4	84
Assessed Value and Estimated Actual Value of Taxable Property	5	85
Direct and Overlapping Property Tax Rates	5A	86
Principal Property Taxpayers	6	87
Property Tax Levies and Collections	7	88
Ratios of Outstanding Debt by Type	8	89
Ratios of General Bonded Debt Outstanding	9	90
Direct and Overlapping Governmental Activities Debt	10	91
Legal Debt Margin Information	11	92
Demographic Statistics	12	93
Principal Employers	13	94
Full-time Equivalent Regular Town Employees by Function	14	95
Selected Operating Indicators and Capital Asset Statistics by Function	15	96
SINGLE AUDIT SECTION		
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		99-100
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133		101-103
Schedule of Expenditures of Federal Awards		104
Notes to Schedule of Expenditures of Federal Awards		105
Schedule of Findings and Questioned Costs:		
Section I - Summary of Auditor's Results		106
Section II - Findings Required to be Reported under <i>Government Auditing Standards</i>		107
Section III - Findings and Questioned Costs for Federal Awards		108
Section IV - Status of Prior Year Findings and Questioned Costs for Federal Awards		109

INTRODUCTORY SECTION

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TOWN OF FALMOUTH, MAINE



December 9, 2013

To the Town Council and Citizens of the Town of Falmouth:

Maine state statutes and the Falmouth Town Charter require that the Town issue annually a financial report audited in accordance with generally accepted auditing standards. Pursuant to these requirements, we hereby issue the comprehensive annual financial report of the Town of Falmouth, Maine, for the fiscal year ended June 30, 2013.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Runyon Kersteen Ouellette, Certified Public Accountants, has issued an unmodified ("clean") opinion on the Town of Falmouth, Maine's financial statements for the year ended June 30, 2013. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

The Town is required to undergo an annual single audit in conformity with the Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Information related to this single audit, including a schedule of expenditures of federal awards, the independent auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs, is included in the single audit section of this report.

Profile of the Town of Falmouth

The Town of Falmouth, incorporated in 1718, is located in the southern part of the State of Maine, in Cumberland County, directly north of the City of Portland. The Town currently occupies a land area of 32 square miles and serves a population of 11,185. Under Maine statutes, the Town is empowered to levy a property tax on both real and personal property located within its boundaries.

The Town has operated under the Council-Manager form of government since 1962. Policy-making and legislative authority is vested in a seven-member Town Council. The Town Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the Town Manager. The Town Manager is responsible for carrying out the policies and ordinances of the Town Council, for overseeing the day-to-day operations of the Town, and for appointing the heads of the Town's departments. The Council is elected on a non-partisan basis. Council members are elected to three-year staggered terms. All Council members are elected at large.

The Town of Falmouth provides a full range of services, including police, ambulance and fire protection; the construction and maintenance of highways, streets, and other infrastructure; recreational activities; elementary and secondary education; harbor control and emergency preparedness; municipal planning, assessing, building inspection and code enforcement; and wastewater treatment. Under the Town Charter, the Town of Falmouth's Education Department is a department of the Town with an elected school board and an appointed Superintendent of Schools.

The annual budget serves as the foundation for the Town of Falmouth's financial planning and control. Each spring, all departments of the Town, including the Education Department, submit requests for appropriation to the Town Manager so that a budget may be prepared. The Town Manager uses these requests as the starting point for developing a proposed budget. The Town Manager then presents this budget to the Town Council for review in April. The Town Council is required to hold a public hearing on the proposed budget before a final budget is adopted. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police) (Note that Wastewater and the Internal Service Fund also carry a budget).

The budget includes information on the past year, current year estimates, and requested appropriations for the next fiscal year. The Town Manager may make transfers of appropriations within a function. Transfers of appropriations between functions require the approval of the Town Council. The legal level of budgetary control is the function level. Expenditures may not legally exceed budgeted appropriations at the function level without Town Council approval. Budget-to-actual comparisons are provided in this report for the general fund. This comparison is presented on page 30 as part of the basic financial statements for the governmental funds.

Local Economy

Falmouth is primarily a residential suburb of Portland, with two commercial corridors containing both retail and office developments. The Town exhibits above average wealth and housing levels with per capita growth outpacing that of the state. The Town experienced a rapid tax base growth in the late 1980's. This growth stabilized in the early 1990's and has increased again since the late 1990's. From 2011 to 2013, the Town's taxable base grew by \$24 million, an increase of 1.06%. The Town's current-year property tax collection rate remained at a very healthy 97.37% collected by August 31, 2013.

Several factors continue to work in the Town's favor in the current economic climate. First, residential building activity and development in Falmouth showed continued stability despite tepidness in state and national new construction. 47 building permits for new construction were issued this year, including 46 permits for new single-family residential housing and 1 permit for new commercial buildings.

Finally, relative to many other municipalities, the Town has an extremely *diversified* tax base, with its largest taxpayer comprising only 1.67% of its total tax base, and its top ten taxpayers *combined* representing only 7.28% of the total tax base. The commercial tax base is well balanced, with strong retail, office and service sectors. Major companies with headquarters or divisions located within the Town include a large computer software firm and a large regional bank back-office facility.

The Town's two retail corridors have a very high occupancy rate with a variety of specialty stores, movie theaters and restaurants, as well as several large retail and supermarket outlets. According to the latest available census figures, an approximate-total of 4,925 workers are employed in Falmouth. The Town also serves as a regional employment center, with over 77% of its total workforce residing in surrounding communities.

Long-term Planning

In preparing for the future, the Town has identified several major programs needed to meet citizens' needs for services, while continuing to meet the rising fixed costs imposed on the Town. Among these programs are road construction, housing and open space planning, recreational activities, equipment purchases, and building construction and renovations. These initiatives were done in accordance with the Town's basic financial planning document, its ten-year Capital Improvement Plan, which is reviewed and updated annually by the Town Council.

This year's capital plan calls for a continuation of the road and sidewalk improvements to sections of Falmouth, drainage improvements on Waite's Landing Road, adding a storage shed at the Central Fire Station, continued improvements to the Route One and West Falmouth Crossing Tax Increment Financing Districts, and continued improvements to Community Park.

This year's multi-year equipment replacement plan also calls for the purchase of a new pickup for Public Works, a new ambulance for the Fire Department, a new police cruiser and SUV command car for the Police Department and continued upgrades to the Town's computer network and equipment.

In addition to its multi-year capital improvement and equipment replacement plans, the Town continues to be engaged in significant long-range land use planning. In 2012-13, the Town adopted a comprehensive set of zoning amendments for the Route One Commercial District, prepared Preliminary \$11.7 M Infrastructure Plan for Route One (for which funding was approved by Falmouth voters in June 2013), completed a Stormwater Management Plan for Route One, completed a natural gas feasibility study, investigated the capacity of its sewer system under various growth scenarios, completed the Purchase and Sales Agreement with OceanView for the Plummer-Motz and Lunt school complex (redevelopment is in process), and completed a Renovation Plan for Falmouth Town Hall.

In 2013-14, the Town hopes to adopt its updated Comprehensive Plan and begin implementing it, complete a Regional Bicycle and Pedestrian Plan and start a Town-wide update of the 2003 Bicycle and Pedestrian Plan, complete a comprehensive Falmouth business contact database, monitor natural gas installation, upgrade its wayfinding sign system, start construction of the Route One Infrastructure Project, start work on a Vision for Route 100 Commercial District, start work on an Economic Development Plan for the Town, complete a Feasibility Study for a Community Recreation Center, and complete a West Falmouth Sanitary Sewer Master Plan.

Relevant Financial Policies

Unassigned fund balance in the general fund exceeds the target balance of 16.7% (two months) of budgeted expenditures specified in the Town of Falmouth's fund balance policy. The Town also reserves \$1,000,000 over that amount for future capital expenditures. According to the policy, funds in excess of the targeted balance may, with the approval of the Falmouth Town Council, be used for such non-operating fiscal purposes as additional capital improvements or debt reduction.

Major Initiatives

There are major initiatives, which will have a significant impact on the future of the Town. First, as approved by Falmouth voters in an October 2008 referendum, the Town undertook construction on a new \$46 million elementary school. The new school was constructed on the High School-Middle School campus on Woodville Road and was put in service in the fall of calendar year 2011. Approximately 87% of the cost of the new school was subsidized by the state. The new school replaced the Lunt School and Plummer-Motz School, both located on Middle Road. The old school buildings are closed, have been turned over to the Town, and have since been sold.

Another initiative, related to the first, is a comprehensive facilities planning study conducted by the Town. Triggered by the closing of the old school buildings, the study took a comprehensive look at all Town facilities and buildings, including Town Hall, with an eye to their future use. Among the options being considered and addressed by the facilities committee are the relocation of the Town Hall, the sale of the old school buildings and surrounding land or the conversion of the old buildings to some other community use, such as the relocation of the Falmouth Memorial Library.

A fire station, school buildings and their related land were sold in fiscal year 2013 and brought over \$3.25 million to the Town. The sold school building is already designated for medical offices, professional offices and a 24-unit Alzheimer's and dementia care center addition.

During the 2012-13 year, the Town Council authorized an appropriation of \$11,700,000, of which an amount not to exceed \$9.4 million would be from the proceeds of bonds and \$2,300,000 from the Route 1 South TIF, for the infrastructure improvements along Route 1, a major thoroughfare and area of commerce in the Town. At a referendum vote on June 11, 2013, the voters of the Town approved the issuance of the bonds. It is expected that the bonds to finance this project will be issued in 2014.

On June 11, 2013, the voters of the Town of Falmouth, Maine also approved by referendum energy conservation and heating system improvements at the Middle School for \$3,250,000 and renovations to the Middle School for \$1,750,000. Bonds to finance these improvements were issued during October of 2013.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Falmouth, Maine, for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012. This was the 21st consecutive year that the Town has received this prestigious award. In order to be awarded a Certificate of Achievement, the Town published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the Finance Department staff. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report. Credit must also be given to the Falmouth Town Council for its unfailing support for maintaining the highest standards of professionalism in the management of the Town's finances.

Sincerely,

Nathan A. Poore
Town Manager

Robert Boschen
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

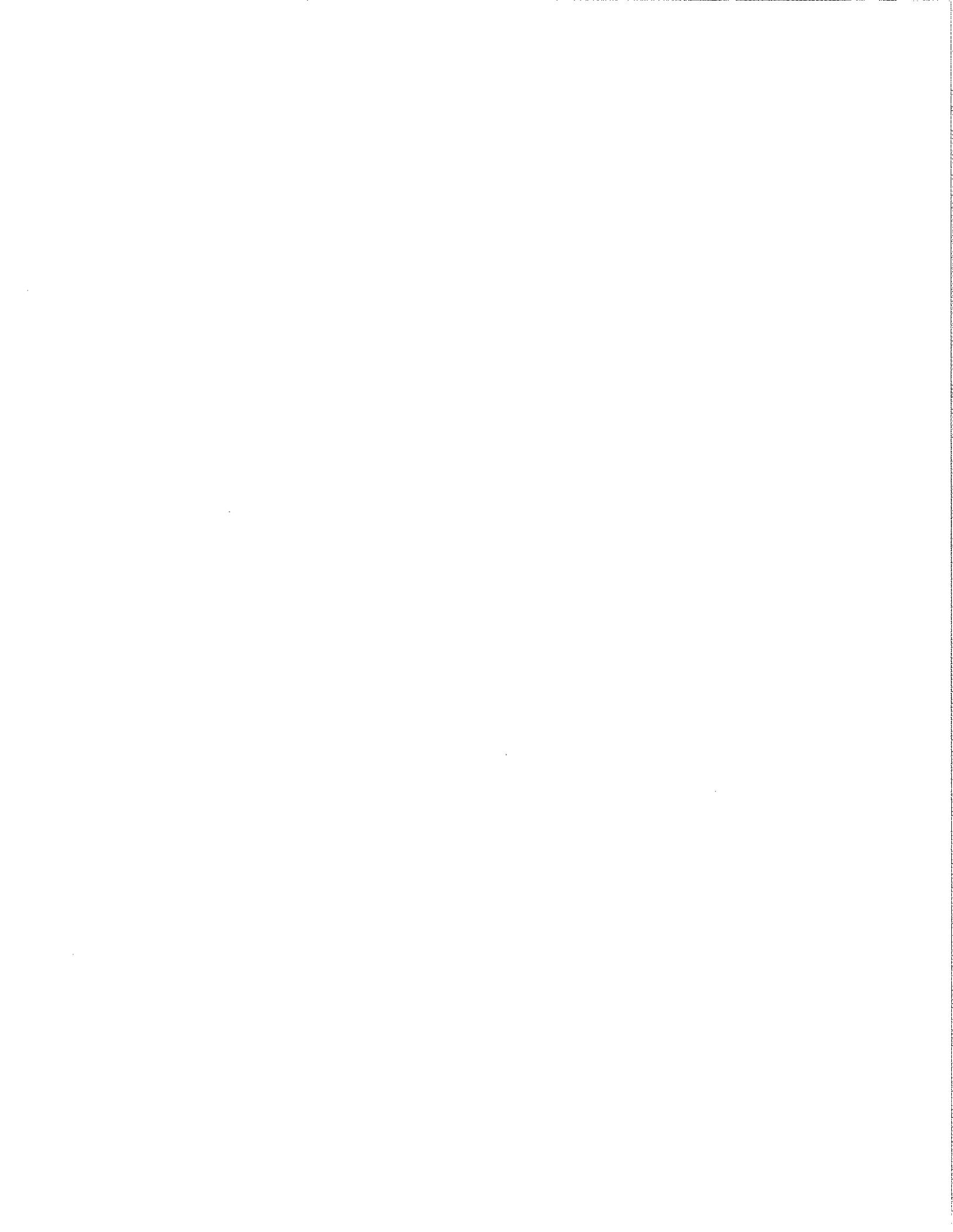
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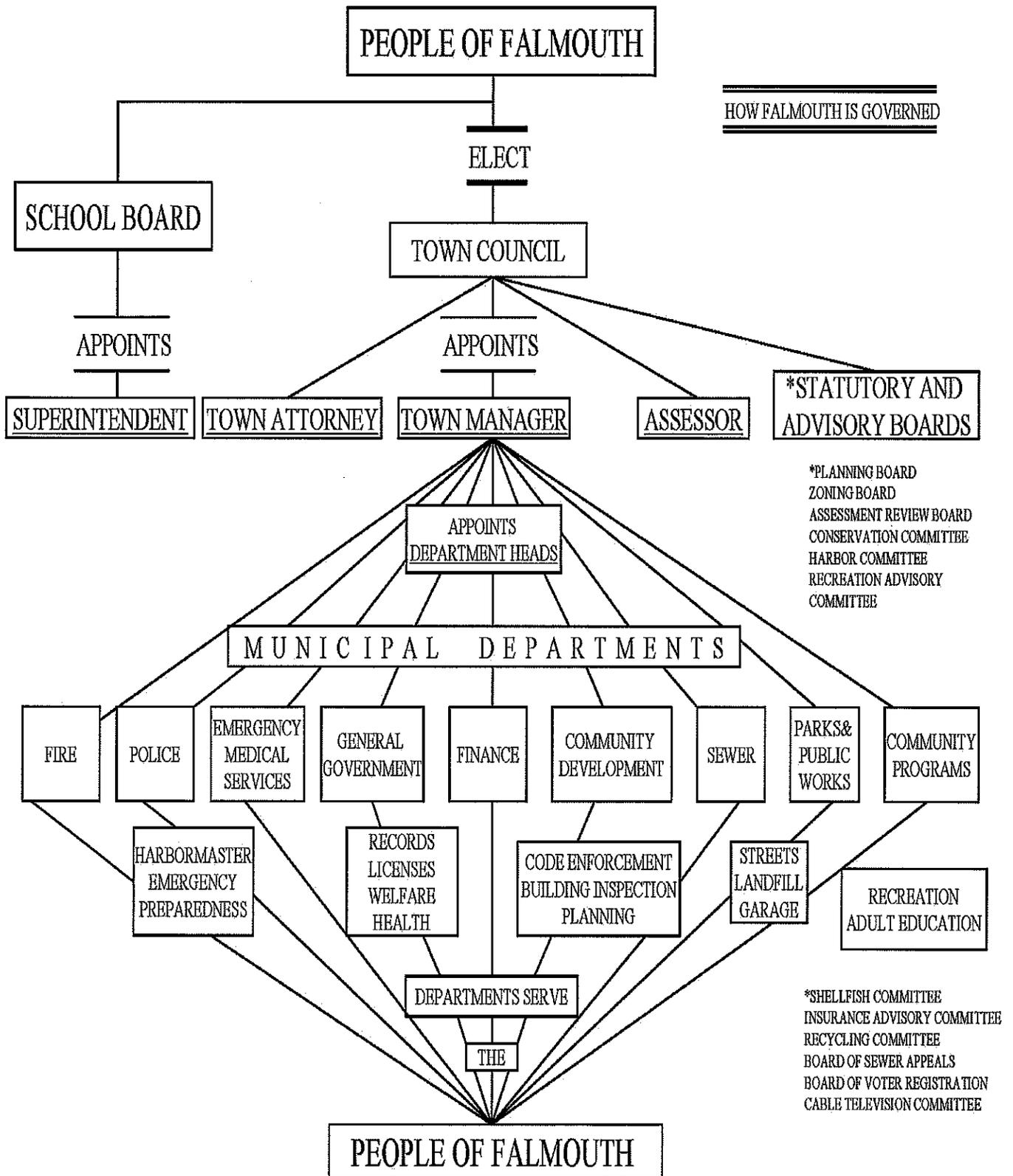
Town of Falmouth
Maine

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO





TOWN OF FALMOUTH, MAINE
List of Principal Officials
June 30, 2013

<u>Title</u>	<u>Name</u>
Council Member	Russ Andersen
Council Member	Karen Farber – Vice Chair
Council Member	David Goldberg
Council Member	Claudia King
Council Member	Sean Mahoney
Council Member	Chris Orestis
Council Member	Teresa Pierce, Chair
Town Manager	Nathan Poore
Assistant Town Manager	Amy Lamontagne
Assessor	Anne Gregory
Code Enforcement Officer	Justin Brown
Community Programs Director	Alexis D’Ascanio
Community Development Director	Amanda Stearns
Finance Director	Robert G. Boschen, Jr.
Fire Chief	Howard Rice
Information Systems Director	Jennifer Phinney
Police Chief	Edward Tolan
Public Works Director	Jay Reynolds
Town Clerk	Ellen Planer
Wastewater Treatment Superintendent	Pete Clark

FINANCIAL SECTION

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Independent Auditor's Report

Town Council
Town of Falmouth, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Falmouth, Maine as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Town Council
Town of Falmouth, Maine

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Falmouth, Maine, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Falmouth, Maine's basic financial statements. The introductory section, combining and individual fund financial statements, and schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

Town Council
Town of Falmouth, Maine

In our opinion, the combining and individual fund financial statements and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2013 on our consideration of the Town of Falmouth, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Falmouth, Maine's internal control over financial reporting and compliance.



December 9, 2013
South Portland, Maine

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TOWN OF FALMOUTH, MAINE
Management's Discussion and Analysis
June 30, 2013

As management of the Town of Falmouth, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Falmouth for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-4 of this report.

Financial Highlights

- The assets of the Town of Falmouth exceeded its liabilities at the close of the most recent fiscal year by \$77,374,430 (*net position*). Of this amount, \$20,690,553 (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town of Falmouth's total net position increased by \$7,967,185.
- As of the close of the current fiscal year, the Town of Falmouth's governmental funds reported combined ending fund balances of \$26,252,460, an increase of \$652,498 in comparison with the prior year. This is detailed as follows:
 - The general fund decreased \$3,812,027. This was due to transferring prior year reserve balances (\$5,008,754) and current year appropriations (\$3,912,449) to other funds. This was offset by \$3,332,054 for the sale of capital assets and favorable operations of \$1,777,122.
 - The capital fund had transfers in of prior year reserve balances and current year appropriations equaling \$7,575,626. The fund also experienced \$1,270,929 in revenues and expended \$5,317,176 for roads; a wood chip boiler at the middle school; other assets for the schools; and other capital assets. This resulted in an increase of \$3,529,580.
 - Other funds, such as special revenue funds and permanent funds, increased \$935,145 from transfers in from the general fund of \$1,345,577, revenues of \$4,648,464 consisting mostly of property taxes for the TIFS (\$2,119,236) and intergovernmental revenues (\$1,539,426). This was offset by \$5,058,897 in expenditures consisting mostly of expenditures in reserves (\$2,372,184) for capital expenditures and maintenance and school related expenditures (\$1,533,675). The balance (\$1,153,038) is made up of expenditures in other departments such as Community Development and Community Programs and Parks.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$13,266,470, or 31.8% of total general fund expenditures.
- During the fiscal year, the Town paid \$3,140,000 in principal payments on previously issued general obligation debt and \$324,000 on previously issued sewer revenue bond debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Falmouth's basic financial statements. The Town's financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Falmouth's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

TOWN OF FALMOUTH, MAINE
Management's Discussion and Analysis, Continued

Both of the government-wide financial statements distinguish functions of the Town of Falmouth that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, public works (highways, streets, and solid waste disposal), education, and parks and recreation. The Town has one business-type activity, its wastewater treatment operation.

The government-wide financial statements can be found on pages 29-30 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 Town of Falmouth, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, 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. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Falmouth maintains fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, and the capital project fund, all of which are considered to be major funds. Data from the other thirteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Town of Falmouth adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 31-34 of this report.

Proprietary funds. The Town of Falmouth maintains two different types of proprietary funds. The *enterprise fund* is used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town of Falmouth uses the enterprise fund to account for its wastewater treatment operations. The *internal service fund* is an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town uses the internal service fund to account for the maintenance of its motor vehicle fleet. Because this service predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

TOWN OF FALMOUTH, MAINE
Management's Discussion and Analysis, Continued

The basic proprietary fund financial statements can be found on pages 35-37 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town of Falmouth's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 38 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 fund financial statements. The notes to the financial statements can be found on pages 39-61 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the basic financial statements. Combining and individual fund statements can be found on pages 65-66 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Falmouth, assets exceeded liabilities by \$77,374,430 at the close of the most recent fiscal year.

By far, the largest portion of the Town of Falmouth's net position (65%) reflects its net investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); 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 net 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.

Town of Falmouth's Net Position						
	Governmental Activities		Business-type Activities		Total	
	2013	Restated 2012	2013	2012	2013	Restated 2012
Current and other assets	\$ 30,499,335	\$ 29,231,057	\$ 2,900,399	\$ 2,882,985	\$ 33,399,734	\$ 32,114,042
Capital assets	85,816,352	81,553,086	16,711,806	16,948,052	102,528,158	98,501,138
Total assets	116,315,687	110,784,143	19,612,205	19,831,037	135,927,892	130,615,180
Non-current liabilities outstanding	50,104,890	53,196,563	4,666,076	4,860,000	54,770,966	58,056,563
Other liabilities	3,676,634	2,983,819	105,862	167,553	3,782,496	3,151,372
Total liabilities	53,781,524	56,180,382	4,771,938	5,027,553	58,553,462	61,207,935
Net position:						
Net investment in capital assets	38,256,352	30,753,086	12,175,806	12,088,052	50,432,158	42,841,138
Restricted	6,251,719	6,781,723	-	-	6,251,719	6,781,723
Unrestricted	18,026,092	17,068,952	2,664,461	2,715,432	20,690,553	19,784,384
Total net position	\$ 62,534,163	\$ 54,603,761	\$ 14,840,267	\$ 14,803,484	\$ 77,374,430	\$ 69,407,245

TOWN OF FALMOUTH, MAINE
Management's Discussion and Analysis, Continued

An additional portion of the Town of Falmouth net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$20,690,553) may be used to meet the Town's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of Falmouth is able to report positive balances in all three categories of net position, investment in capital assets and unrestricted, both for the government as a whole, as well as for its separate business-type activities.

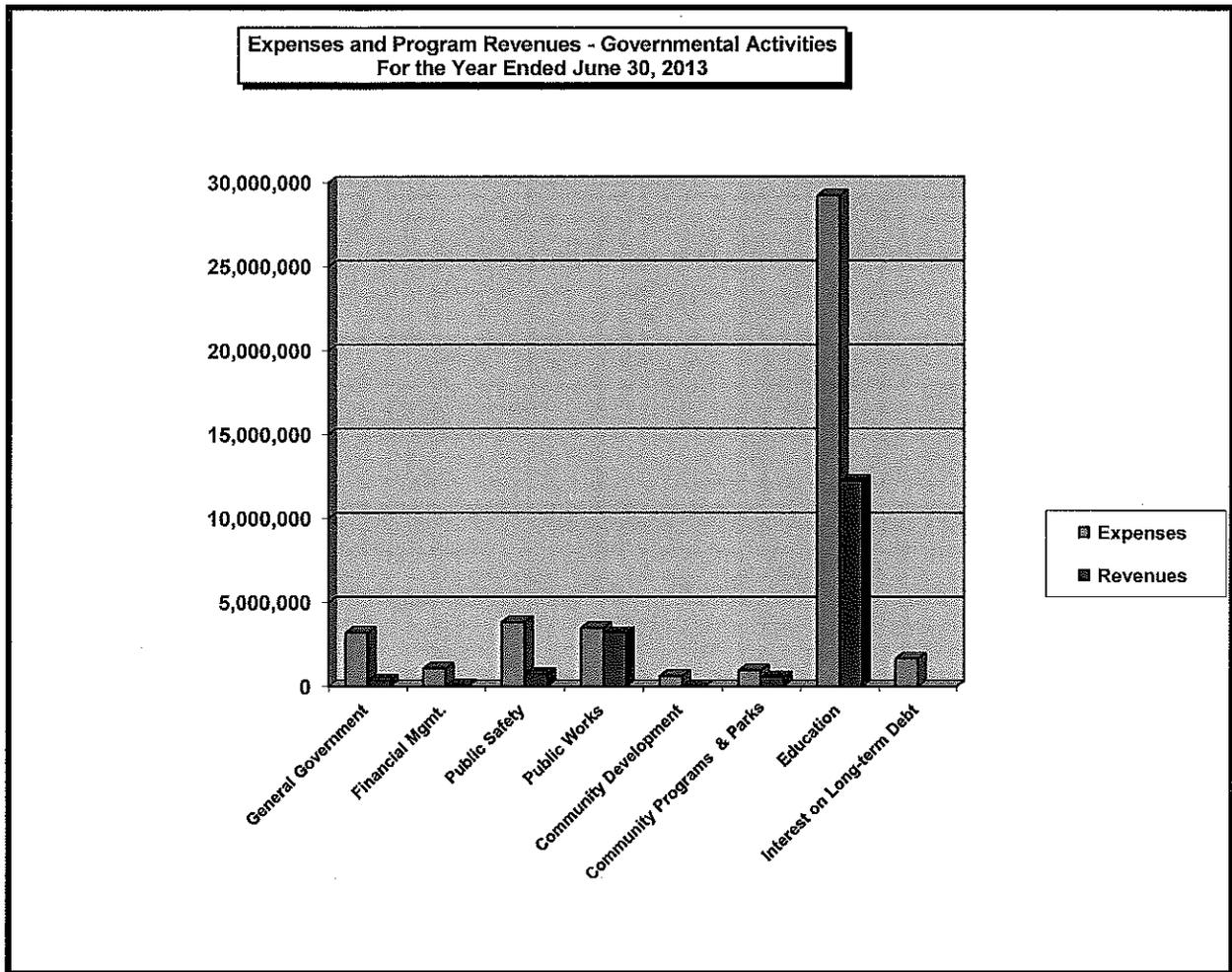
	Town of Falmouth's Changes in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 4,563,933	\$ 4,138,352	\$ 1,963,058	\$ 1,932,503	\$ 6,526,991	\$ 6,070,855
Operating grants and contributions	11,241,851	10,368,451	-	-	11,241,851	10,368,451
Capital grants and contributions	1,270,929	4,468,498	65,711	20,193	1,336,640	4,488,691
General revenues:						
Property taxes	29,014,155	27,578,490	-	-	29,014,155	27,578,490
Excise taxes	2,650,054	2,384,488	-	-	2,650,054	2,384,488
Grants not restricted to specific programs	672,593	674,047	-	-	672,593	674,047
Other (includes gain on assets, construction or disposal)	2,528,773	477,709	-	-	2,528,773	477,709
Total revenues	51,942,288	50,090,035	2,028,769	1,952,696	53,971,057	52,042,731
General government	3,182,216	3,320,569	-	-	3,182,216	3,320,569
Financial management	1,060,159	1,057,419	-	-	1,060,159	1,057,419
Public safety	3,828,094	3,922,211	-	-	3,828,094	3,922,211
Public works (includes internal service fund)	3,489,099	3,298,303	-	-	3,489,099	3,298,303
Community programs & parks	948,169	1,219,430	-	-	948,169	1,219,430
Community development	619,971	1,035,617	-	-	619,971	1,035,617
Education	29,224,616	31,919,090	-	-	29,224,616	31,919,090
Interest on long-term debt	1,659,562	1,617,393	-	-	1,659,562	1,617,393
Wastewater treatment	-	-	1,991,986	1,950,836	1,991,986	1,950,836
Total expenses	44,011,886	47,390,032	1,991,986	1,950,836	46,003,872	49,340,869
Increase in net position	7,930,402	2,700,002	36,783	1,859	7,967,185	2,701,863
Net position - July 1, restated	54,603,761	52,793,130	14,803,484	14,801,624	69,407,245	67,594,754
Net position, June 30	\$ 62,534,163	\$ 55,493,133	\$ 14,840,267	\$ 14,803,484	\$ 77,374,431	\$ 70,296,617

The Town of Falmouth's net position increased by \$7,967,185, or 11.5%, during the current fiscal year. Total governmental activities revenues increased by \$1,852,253, or 3.7%, over the prior year, due to increases year over year in property taxes \$1,435,665; the sale of assets/other \$2,051,064; operating grants driven mostly by education \$873,400; charges for services \$425,581, driven mostly by increases in the tax revenue appropriated to the Tax Increment Financing (TIF) Districts and other categories, \$264,111; offset by the reduction in capital grants and contributions (last year most of this number consisted of the movement of school assets to Community Programs and Parks) \$3,197,569.

TOWN OF FALMOUTH, MAINE
Management's Discussion and Analysis, Continued

Total non-restated expenses decreased (6.8%) from the prior year. On a restated basis, expenses would have been \$50,230,240. Therefore, the decrease on a restated basis would be 8.4%. The restated expenses would be in the area of education where \$957,370 of depreciation was not recorded for the new elementary school placed in service in FY2012, and \$67,998, as withholdings were overstated. See the fiscal notes Prior Period Adjustment section for further information. In addition, decreases in Education were due to the prior year movement of assets to Community Programs, offset by other education expenses.

Governmental activities. Governmental activities increased the Town of Falmouth's net position by \$7,930,402 thereby accounting for substantially all (99.5%) of the total growth in the Town's net position. The following chart illustrates total expenses and revenues by program and revenues by source for all governmental activities. Key elements of this increase are as follows:



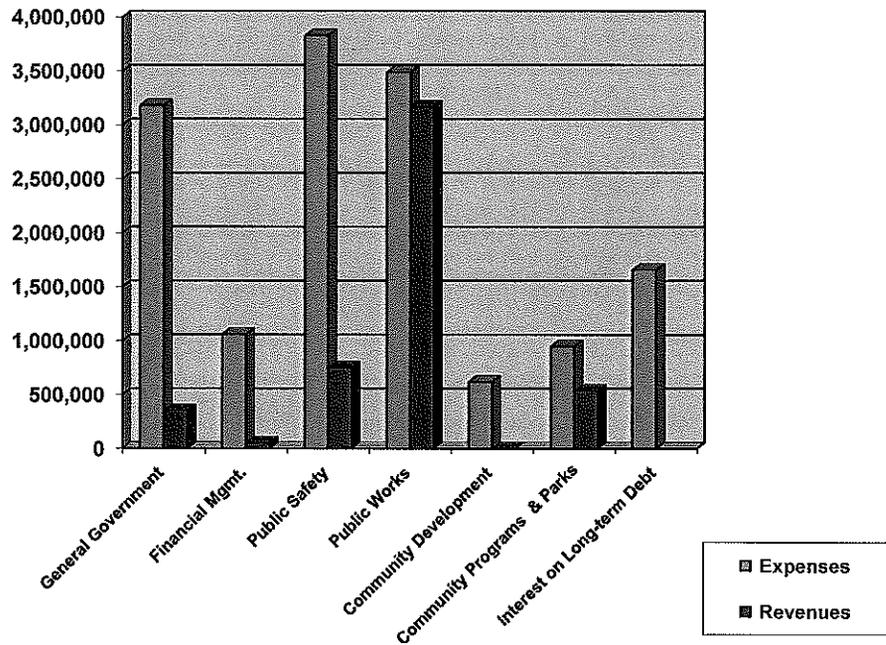
- Property tax revenues increased by \$1,435,665 (5.2%) during the year. The tax rate increased from 12.92 mils to 13.43 mils in 2013 or 3.9%. This with a slight increase in total property valuation, and strong tax collection efforts, reflected in the Town's continued high tax collection rate of 97.3% collected by August 30, 2013 resulted in the increase.
- Investment earnings increased by \$23,023 from the prior year despite the short-term interest rates remaining at low. A new banking relationship also resulted in lower fees credited toward investment earnings.

TOWN OF FALMOUTH, MAINE
Management's Discussion and Analysis, Continued

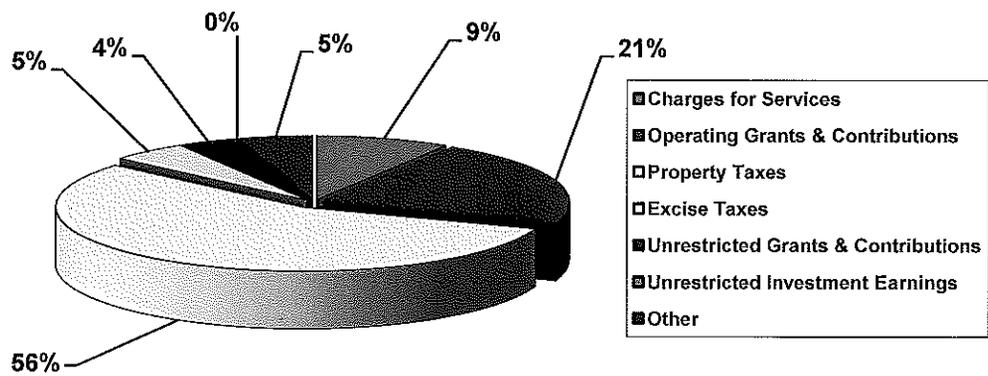
- Capital grants and contributions decreased \$3,197,569 mostly due to the 2012 transfer of \$3,987,238 of school assets from the school to Community Programs. This was offset by amounts received for education.
- General Government line item expenses decreased by \$138,353. This can be attributed to a \$33,098 drop in depreciation and the reduction of operational expenses that existed in reserve accounts in FY2012.
- Public Safety overall expenses decreased \$94,117 due to operating expenses that existed in the reserve accounts in 2012.
- Public Works combined with the Internal Service Fund, which entails garage operations, line-item expenses increased by \$190,796 and is the result of increased depreciation of \$75,479 and an increase in other operations expenses. Examples are salt and sand (\$30,812) and motor fuel and lubricants (\$22,556). In addition, garbage disposal bags were expensed to Public Works this year (\$379,306), but this was offset by \$314,485 less of non-capital expense/revolving account expenses being spent in the Tax Increment Financing Districts.
- Community development expenses are \$415,646 less than last year because garbage disposal bags expense (\$379,306 for FY13) has been moved to Public Works. Last year this amount was \$421,512.
- Community Programs and Parks expenses are \$271,261 less because \$102,985 of expenses attributable to other funds are now accounted for with other transfers. The balance of the reduced expenses is due to less depreciation (\$96,913), due to the disposal and sale of assets related to school buildings, with the balance being reduction in operational expenses.
- Education line-item expenses decreased by \$2,694,477 in 2013 compared to the education expense displayed for 2013 mainly because of the 2012 transfer of \$3,987,238 of school assets to Community Programs, offset by an increase of \$1,024,214 in depreciation.

TOWN OF FALMOUTH, MAINE
Management's Discussion and Analysis, Continued

**Expenses and Program Revenues - Non-Education
 Governmental Activities
 For the Year Ended June 30, 2013**



**Revenues by Source - Governmental Activities
 For the Year Ended June 30, 2013**



TOWN OF FALMOUTH, MAINE
Management's Discussion and Analysis, Continued

Business-type activities. The Town's one business-type activity, its wastewater treatment operation, increased the Town of Falmouth's net position by \$36,783. Key elements of this year's activity are as follows:

- Connection fee revenue decreased by over \$14,281 from the prior year.
- Overall operating revenues increased \$27,886 or 1.4%.
- Contributions from developers increased \$45,518.

Financial Analysis of the Government's Funds

As noted earlier, the Town of Falmouth uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town of Falmouth'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.

As of the end of the current fiscal year, the Town of Falmouth's governmental funds reported combined ending fund balances of \$ 26,252,460, an increase of \$652,498 from the prior year restated. This increase is due to the sale of empty school buildings, a fire station and other assets for \$3,332,054 and the excess revenues over expenditures in the general fund (\$1,777,122). This was offset by a net investment in capital assets of \$4,046,246 and a net expenditure of special revenue funds of \$410,433. Approximately 54% of this total amount (\$14,185,003) constitutes *unassigned, assigned or committed fund balance*, which is available for spending at the Town's discretion. The remainder of the fund balance is in *special revenue funds* (\$6,698,674), which exist for a specified purpose, in the capital fund for capital projects (\$4,913,569) or are *restricted or nonspendable* (\$455,214) to indicate that it is not available for new spending because, for example, it has already been classified to account for inventory, unemployment compensation reserves or projects which have to be completed due to restrictions set by entities, such as ones at the State or Federal level, besides the municipal government.

The general fund is the chief operating fund of the Town of Falmouth. At the end of the current fiscal year, the fund balance of the general fund was \$14,232,723 (\$966,253 of which has been designated by management or the Town Council as assigned, committed, restricted, or nonspendable). As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 31.8% of total general fund expenditures, while total fund balance represents 34.2% of that same amount.

The fund balance of the Town of Falmouth's general fund decreased by \$3,812,027 during the current fiscal year. Major factors in this year's fund balance activity are as follows:

- General fund property tax revenues increased by \$1,470,135 (5.1%) during the year. This increase reflects both a slight increase in total property valuation, an increase of 3.9% in the mil rate (from 12.92 mils to 13.43 mils), as well as strong tax collection efforts, reflected in the Town's continued high tax collection rate of 97.3%.
- Intergovernmental revenue increased by \$1,105,772 from the prior year, due to increased on behalf payments to the Schools and increased other School receipts. This was offset by a \$400,777 decrease in miscellaneous revenues/reserves due to the movement of reserve activity to other funds.
- A \$507,151 increase in educational expenditures.
- A \$1,890,000 increase in principal for debt service due the construction of a new elementary school, which had occupancy in fall of calendar year 2011.

TOWN OF FALMOUTH, MAINE
Management's Discussion and Analysis, Continued

- Capital expenditures equaling \$2,811,254 in the 2011-12 year are now \$0 due to the movement of such expenditures to the Capital Fund or other funds.
- The sale of general capital assets of \$3,332,054.
- Net transfers to other funds of \$8,921,203.

The capital project fund increased by \$3,529,380 because of capital fund items being moved from reserve funds in the general fund to the capital fund. The combined fund balance of the other (non-major) governmental funds increased by \$935,145, mainly due to a transfer of reserve funds in the general fund to their own funds (\$1,345,577) and property taxes (\$2,119,236) offset by expenditures in capital assets and reserves of \$2,372,184, including the purchase of over 100 acres of land for \$1.2 million.

Proprietary funds. The Town of Falmouth's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Town's wastewater treatment fund amounted to \$2,664,461, and those of the fleet maintenance internal service fund amounted to \$13,820. The total increase in net position for the wastewater treatment fund was \$36,783. The total increase in net position for the internal service fund was \$19,992.

General Fund Budgetary Highlights

For the current fiscal year, all revenue line-items (with the exception of property taxes and investment earnings) exceeded budgetary projections and all expenditure line-items were within budgetary limits except public safety and community programs. The "Taxes" revenue line-item was below budgetary projection due to timing in the collections of taxes.

The Town's written fund balance policy, which authorizes funds in excess of the Town's required minimum unassigned fund balance of two months (or 16.7%) of operating expenditures to be appropriated for "one-time" capital or non-operating uses. The Town also reserves \$1,000,000 in addition to that amount for future capital expenditures.

Capital Asset and Debt Administration

Capital assets. The Town of Falmouth's investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounts to \$102,528,158 (net of accumulated depreciation), an increase of \$4,027,020. This investment in capital assets includes land, buildings and improvements, land improvements, machinery and equipment, and infrastructure. The total increase in the Town of Falmouth's investment in capital assets for the current fiscal year was 4.1% (a 5.2% increase for governmental activities and a 1.4% decrease for business-type activities).

TOWN OF FALMOUTH, MAINE
Management's Discussion and Analysis, Continued

Town of Falmouth's Capital Assets (net of depreciation)						
	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land	\$ 6,728,119	\$ 5,176,700	\$ -	\$ -	\$ 6,728,119	\$ 5,176,700
Construction-in-progress	1,514,964	155,993	51,796	-	1,566,760	155,993
Buildings & improvements	56,044,933	56,749,322	7,021,832	7,249,582	63,066,765	63,998,904
Improvements other than Machinery and equipment	781,773	740,771	-	-	781,773	740,771
Infrastructure	3,624,176	3,361,061	2,478,341	2,300,935	6,102,517	5,661,996
	17,122,388	15,369,240	7,159,837	7,397,535	24,282,225	22,766,774
Total	\$ 85,816,353	\$ 81,553,087	\$ 16,711,806	\$ 16,948,052	\$ 102,528,159	\$ 98,501,139

Major capital asset events during the current fiscal year included the following:

- A fire station, school buildings and their related land were sold in fiscal year 2013 and brought over \$3.25 million to the Town. A sold school building is designated for medical offices, professional offices, and a 24-unit Alzheimer's and dementia care center. The Town utilized \$1.2 million of these dollars to purchase a wood chip boiler for the Middle School and another \$1.2 million to purchase a 100-acre tract of land for its Open Space program. The balance of these funds remained in the unassigned fund balance.
- A variety of street construction projects throughout the Town were undertaken, including the reconstruction of sections of Falmouth Road and Ledgewood Drive. Major building improvements included a wood chip boiler for the Middle School.
- Major equipment additions include a new plow truck, three new police vehicles, new console systems for public safety, new pickup trucks, a new mini bus for Community programs and parks, new computer hardware, and telemetry and other equipment for Wastewater.

Additional information on the Town of Falmouth's capital assets can be found in the notes to the basic financial statements on pages 47-48 of this report.

Long-term debt. At the end of the current fiscal year, the Town of Falmouth had total bonded debt outstanding of \$52,096,000. Of this amount, \$47,560,000 consists of general obligation debt backed by the full faith and credit of the Town. The remaining \$4,536,000, of the Town's debt consists of sewer revenue bonds secured solely by sewer user fees.

On June 11, 2013, the voters of the Town of Falmouth, Maine also approved by referendum energy conservation and heating system improvements at the Middle School for \$3,250,000 and renovations to the Middle School for \$1,750,000. Bonds to finance these improvements were issued during October of 2013.

TOWN OF FALMOUTH, MAINE
Management's Discussion and Analysis, Continued

During the 2012-13 year, the Town Council authorized an appropriation of \$11,700,000, of which an amount not to exceed \$9.4 million would be from the proceeds of bonds and \$2,300,000 from the Route 1 South TIF, for the infrastructure improvements along Route 1, a major thoroughfare and area of commerce in the Town. At a referendum vote on June 11, 2013, the voters of the Town approved the issuance of the bonds. It is expected that the bonds to finance this project will be issued in 2014.

Town of Falmouth's Outstanding Debt						
General Obligation and Revenue Bonds						
	Governmental activities		Business-type debt		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 47,560,000	\$ 50,700,000	\$ -	\$ -	\$ 47,560,000	\$ 50,700,000
Revenue bonds	-	-	4,536,000	4,860,000	4,536,000	4,860,000
Total	\$ 47,560,000	\$ 50,700,000	\$ 4,536,000	\$ 4,860,000	\$ 52,096,000	\$ 55,560,000

During the fiscal year, the Town paid \$3,140,000 in principal payments on previously issued general obligation debt and \$324,000 on previously issued sewer revenue bond debt.

During the fiscal year, The Town of Falmouth increased its "AA+" credit rating from Standard & Poor's to AAA and maintained its "Aa1" rating from Moody's Investors Service.

State statutes limit the amount of total debt (for all municipal purposes) that a municipality may issue up to 15% of its total state assessed valuation. The current debt limitation for the Town of Falmouth is \$313,733,000. The Town's actual total outstanding debt of \$52,096,000 (for all municipal purposes) is significantly below the authorized state limit. Additional information on the Town of Falmouth's long-term debt can be found in the notes to the basic financial statements on pages 49-52 of this report.

Economic Factors and Next Year's Budgets and Rates

- With the national housing situation stabilizing, the Town of Falmouth's property tax base itself continues to remain stable, paced by a stable building and real estate construction market. Mirroring slow national trends, Falmouth's taxable valuation base grew by 1.11% in fiscal year 2012-13. A total of 47 building permits for new construction were issued in 2012-13, including 46 permits for new single-family residential housing and 1 permit for new commercial buildings.
- Certain economic areas are showing increased strength. For example, rebounding automobile market has led to a strong increase in automobile excise collections. This amount increased 11.1% to \$2,616,826 in Year 2012-13 from \$2,352,164 in the prior year.
- The Town makes a continual effort to ensure that its property tax base is assessed at 100% of market value. A revaluation of commercial and residential properties was conducted in 2009. These revaluations ensure that the Town is fairly and equitably assessing its properties and is utilizing its full property tax base.
- Despite a statewide decline in elementary and secondary school enrollment, the Town's school enrollment figures remain stable, increasing 0.4% in the last four years. These enrollment figures ensure that the Town will continue to receive its fair share of state educational aid, which is distributed to municipalities under a formula, which places great weight on student enrollment.

TOWN OF FALMOUTH, MAINE
Management's Discussion and Analysis, Continued

- The major concern for future budget planning continues to be the uncertainty regarding state aid to education and state municipal revenue sharing, combined with the potential loss of federal stimulus money. This uncertainty will require constant monitoring by Town staff of the upcoming state legislative session. It should be noted, though, the Town is close to a minimum receiver on State revenue and education sharing. This results in less reliance on these outside sources, and thus the Town is less vulnerable than many other municipalities.
- The Town continues to monitor the situation regarding the continued depressed interest rates. Unlike many non-profit institutions, the Town has a strict "no risk of principal" policy regarding its investments. Therefore, the Town experienced no loss of principal in its investments during the recent downturn in rates. Nonetheless, the drop in rates continues to reduce projected operating revenue to the Town in the 2014 fiscal year and for the foreseeable future. The Town has offset this projected decline with a corresponding reduction in budgeted expenditures. On a related note, the Town undertook a new banking relationship during 2011-12. This significantly reduced fees and enhanced banking operation efficiencies.

Where applicable, the factors above were considered in preparing the Town of Falmouth's budget for the 2014 fiscal year. The primary budgetary objective was to provide basic and referendum approved Town services to its citizens while attempting to keep the property tax rate low. The positive trends noted above helped offset an increase of 7% in School, partially from building construction related debt, and 9.3% County requirements from property taxes and result in a 5.1% increase in the property tax rate in fiscal year 2013-14. The tax rate increased to \$14.12 per thousand of valuation.

Affecting the future development for the Town:

- The private expansion of natural gas lines to the Town is slated. Installation of the main line could be half-complete by the end of 2014, representing an approximately \$42 million investment in Falmouth and two other towns. The entire project is expected to take between three and five years with 86% saturation.
- Town Council authorized and voters approved an appropriation of \$11,700,000, of which an amount not to exceed \$9.4 million would be from the proceeds of bonds and \$2,300,000 from the Route 1 South TIF, for the infrastructure improvements along Route 1, a major thoroughfare and area of commerce in the Town.
- A sold school building is designated for medical offices and a 24-unit Alzheimer's and dementia care center. The same entity received approval for 36 apartment units (being constructed and approximately 90% sold), 35 cottage units.

Requests for Information

This financial report is designed to provide a general overview of the Town of Falmouth's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Town of Falmouth, Maine, 271 Falmouth Road, Falmouth, Maine 04105.

BASIC FINANCIAL STATEMENTS

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TOWN OF FALMOUTH, MAINE
Statement of Net Position
June 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 152,053	-	152,053
Investments	28,361,697	2,648,463	31,010,160
Taxes receivable	1,012,141	-	1,012,141
Accounts receivable	772,126	267,270	1,039,396
Internal balances	38,818	(38,818)	-
Inventories and prepaid items	155,549	23,484	179,033
Tax-acquired property	6,951	-	6,951
Capital assets not being depreciated	8,243,083	51,796	8,294,879
Capital assets net of accumulated depreciation	77,573,269	16,660,010	94,233,279
Total assets	116,315,687	19,612,205	135,927,892
LIABILITIES			
Accounts payable and other current liabilities	1,441,008	105,862	1,546,870
Teacher summer salaries	2,235,627	-	2,235,627
Noncurrent liabilities:			
Due within one year	3,269,000	324,000	3,593,000
Due in more than one year	46,835,890	4,342,076	51,177,966
Total liabilities	53,781,524	4,771,938	58,553,462
NET POSITION			
Net investment in capital assets	38,256,352	12,175,806	50,432,158
Restricted for:			
Tif Districts	5,453,788	-	5,453,788
Perpetual care, nonexpendable	9,617	-	9,617
Scholarships /gifts	379,125	-	379,125
Other	409,189	-	409,189
Unrestricted	18,026,092	2,664,461	20,690,553
Total net position	\$ 62,534,163	14,840,267	77,374,430

The notes to the financial statements are an integral part of this statement.

TOWN OF FALMOUTH, MAINE
Statement of Activities
For the Year Ended June 30, 2013

Functions/programs	Expenses	Program Revenues			Net (expense) revenue and changes in net position		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government		Total
					Governmental activities	Business-type activities	
Primary government:							
Governmental activities:							
General government	\$ 3,182,216	234,962	55,118	60,925	(2,831,211)	-	(2,831,211)
Financial management	1,060,159	51,160	-	-	(1,008,999)	-	(1,008,999)
Public safety	3,828,094	747,310	-	-	(3,080,784)	-	(3,080,784)
Public works	3,270,196	2,615,975	93,925	220,958	(339,338)	-	(339,338)
Community development	619,971	-	-	-	(619,971)	-	(619,971)
Community programs and parks	948,169	508,819	25,606	-	(413,744)	-	(413,744)
Education	29,224,616	166,812	11,067,201	989,047	(17,001,556)	-	(17,001,556)
Interest on long-term debt	1,659,562	-	-	-	(1,659,562)	-	(1,659,562)
Internal service fund	218,903	238,896	-	-	19,992	-	19,992
Total governmental activities	44,011,886	4,563,933	11,241,851	1,270,929	(26,935,173)	-	(26,935,173)
Business-type activities:							
Wastewater treatment	1,991,986	1,963,058	-	65,711	-	36,783	36,783
Total business-type activities	1,991,986	1,963,058	-	65,711	-	36,783	36,783
Total primary government	\$ 46,003,872	6,526,991	11,241,851	1,336,640	(26,935,173)	36,783	(26,898,389)
General revenues:							
Property taxes					\$ 29,014,155	-	29,014,155
Excise taxes					2,650,054	-	2,650,054
Cable TV franchise taxes					210,622	-	210,622
Grants not restricted to specific programs					672,593	-	672,593
Unrestricted investment earnings					60,619	-	60,619
Gain/loss on disposal or construction of capital assets					2,254,528	-	2,254,528
Miscellaneous revenues					3,004	-	3,004
Total general revenues					34,865,575	-	34,865,575
Change in net position					7,930,402	36,783	7,967,185
Net position - beginning, as restated					54,603,761	14,803,484	69,407,245
Net position - ending					\$ 62,534,163	14,840,267	77,374,430

The notes to the financial statements are an integral part of this statement.

TOWN OF FALMOUTH, MAINE
Balance Sheet
Governmental Funds
June 30, 2013

	General	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 29,660	-	122,393	152,053
Investments	15,280,410	5,982,234	7,099,053	28,361,697
Receivables:				
Taxes	833,025	-	-	833,025
Liens	179,115	-	-	179,115
Accounts	272,529	-	499,598	772,126
Due from other funds	1,064,770	-	-	1,064,770
Inventories and prepaid items	20,011	-	18,752	38,762
Tax-acquired property	6,951	-	-	6,951
Total assets	\$ 17,686,471	5,982,234	7,739,795	31,408,500
LIABILITIES				
Accounts payable and accrued liabilities	471,343	604,600	173,554	1,249,497
Teachers' accrued payroll	2,235,627	-	-	2,235,627
Due to other funds	-	464,066	460,072	924,138
Total liabilities	2,706,970	1,068,666	633,627	4,409,263
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	746,778	-	-	746,778
Total deferred inflows of resources	746,778	-	-	746,778
FUND BALANCES				
Inventory and prepaid items - Nonspendable	20,011	-	18,752	38,762
Restricted for:				
Unemployment - Restricted	27,710	-	-	27,710
Scholarships / gifts - Restricted	-	-	379,125	379,125
Perpetual care - Restricted	-	-	9,617	9,617
General fund:				
Committed	831,198	-	-	831,198
Assigned	87,335	-	-	87,335
Unassigned	13,266,470	-	-	13,266,470
Capital Projects fund - Committed	-	4,844,418	-	4,844,418
Capital Projects fund - Assigned	-	114,999	-	114,999
Capital Projects fund - Unassigned	-	(45,848)	-	(45,848)
Special revenue funds - Restricted	-	-	5,835,267	5,835,267
Special revenue funds - Assigned	-	-	912,393	912,393
Special revenue funds - Unassigned	-	-	(48,986)	(48,986)
Total fund balances	14,232,723	4,913,569	7,106,169	26,252,460
Total liabilities, deferred inflows of resources, and fund balances	\$ 17,686,471	5,982,234	7,739,795	
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				85,816,352
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds.				746,778
Internal service funds are used by management to charge the costs of fleet management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.				13,820
Short-term liabilities, including interest payable, are not due and payable in the current period and therefore, are not reported in the funds.				(190,358)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.				(50,104,890)
Net position of governmental activities				\$ 62,534,163

The notes to the financial statements are an integral part of this statement.

TOWN OF FALMOUTH, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	General	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property	\$ 28,935,511	-	2,119,236	31,054,746
Excise	2,650,054	-	-	2,650,054
Licenses, fees and permits	490,400	-	-	490,400
Intergovernmental	10,541,830	59,857	1,539,426	12,141,113
Charges for services	724,432	-	-	724,432
Fines and forfeitures	56,568	-	-	56,568
Investment earnings	49,029	-	11,591	60,619
Miscellaneous / reserves	3,004	1,211,072	978,212	2,192,289
Total revenues	43,450,826	1,270,929	4,648,464	49,370,220
EXPENDITURES				
Current:				
General government	1,032,042	-	-	1,032,042
Financial management	1,060,159	-	-	1,060,159
Public safety	3,292,596	-	-	3,292,596
Public works	1,913,998	-	379,306	2,293,304
Community development	521,891	-	98,080	619,971
Community programs and parks	346,794	-	580,893	927,687
Education	26,960,774	-	1,533,675	28,494,449
Non-departmental	641,794	-	94,760	736,554
County tax	1,208,849	-	-	1,208,849
Debt service:				
Principal	3,140,000	-	-	3,140,000
Interest	1,554,806	-	-	1,554,806
Capital outlay:				
Capital improvements and reserves	-	5,317,176	2,372,184	7,689,360
Total expenditures	41,673,704	5,317,176	5,058,897	52,049,777
Excess (deficiencies) of revenues over (under) expenditures	1,777,122	(4,046,247)	(410,433)	(2,679,557)
Other financing sources (uses):				
Sale of general capital assets	3,332,054	-	-	3,332,054
Transfers in	4,916,443	7,575,626	1,345,577	13,837,646
Transfers out	(13,837,646)	-	-	(13,837,646)
Total other financing sources (uses)	(5,589,149)	7,575,626	1,345,577	3,332,054
Net change in fund balances	(3,812,027)	3,529,380	935,145	652,498
Fund balances - beginning (restated)	18,044,750	1,384,188	6,171,024	25,599,962
Fund balances - ending	\$ 14,232,723	4,913,568	7,106,169	26,252,460

The notes to the financial statements are an integral part of this statement.

TOWN OF FALMOUTH, MAINE
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2013

Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:

Net change in fund balances - total governmental funds (from Statement 4)	\$	652,498
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$8,495,871) exceeded depreciation expense (\$3,155,080).</p>		
		5,340,791
<p>In the statement of activities, only the gain on sale of capital assets is reported. However, in governmental funds, the proceeds from the sale increases financial resources. Thus the change in net position differs from the change in fund balance by the book value of the capital asset sold.</p>		
		(1,077,526)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		78,644
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:</p>		
		2,916,003
Repayment of bonds/notes	3,240,000	
Increase in accrued short-term interest liability	(175,671)	
Increase in compensated absences and other post employment benefits	(29,085)	
Net decrease in other long-term liabilities	(119,241)	
<p>The net gain of certain activities of internal service funds is reported with governmental activities.</p>		
		19,992

Change in net position of governmental activities (see Statement 2)	\$	7,930,402
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The notes to the financial statements are an integral part of this statement.

TOWN OF FALMOUTH, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended June 30, 2013

	Budgeted amounts		Actual amounts	Variance with final budget positive (negative)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 28,908,307	28,908,307	28,935,511	27,204
Excise	2,538,902	2,538,902	2,650,054	111,152
Licenses, permits and fees	416,550	416,550	490,400	73,850
Intergovernmental	8,602,365	8,602,365	8,167,766	(434,599)
Charges for services	720,931	720,931	724,432	3,501
Fines and forfeitures	46,500	46,500	56,568	10,068
Investment earnings	50,000	50,000	49,029	(971)
Miscellaneous	26,400	26,400	3,004	(23,396)
Total revenues	41,309,955	41,309,955	41,076,762	(233,193)
EXPENDITURES				
Current:				
General government	1,103,272	1,118,272	1,032,042	86,230
Financial management	1,152,956	1,152,956	1,060,159	92,797
Public safety	3,360,730	3,414,980	3,292,596	122,384
Public works	1,973,583	1,973,583	1,913,998	59,585
Community development	559,222	559,222	521,891	37,331
Community programs and parks	349,139	349,139	346,794	2,345
Education	24,702,138	24,702,138	24,586,710	115,428
Non-departmental	763,427	774,711	641,794	132,917
County tax	1,208,849	1,208,849	1,208,849	-
Debt service:				
Principal	3,140,000	3,140,000	3,140,000	-
Interest	1,554,813	1,554,813	1,554,806	7
Total expenditures	39,868,129	39,948,663	39,299,640	649,023
Excess of revenues over expenditures	1,441,826	1,361,292	1,777,122	415,830
OTHER FINANCING SOURCES & USES				
Sale of general capital assets	-	3,276,750	3,332,054	55,304
Transfer in from other funds - prior year balances	4,916,443	4,916,443	4,916,443	-
Transfer out to other funds - prior year balances	(9,795,197)	(9,925,197)	(9,925,197)	-
Transfer out to other funds - current year operating activity	(1,456,826)	(3,911,826)	(3,912,449)	(623)
Budgeted use of surplus	4,893,754	4,282,538	-	(4,282,538)
Total other financing sources	(1,441,826)	(1,361,292)	(5,589,149)	(4,227,857)
Net change in fund balance	-	-	(3,812,027)	(3,812,027)
Fund balance - beginning (restated)	18,044,750	18,044,750	18,044,750	
Fund balance - ending	\$ 18,044,750	18,044,750	14,232,723	

The notes to the financial statements are an integral part of this statement.

TOWN OF FALMOUTH, MAINE
Statement of Net Position
Proprietary Funds
June 30, 2013

	Business-type Activities - Enterprise Fund Wastewater	Governmental Activities Internal Service Fund
ASSETS		
Current assets:		
Investments	\$ 2,648,463	-
Accounts receivable	267,270	-
Due from other funds	-	38,818
Inventories	23,484	116,787
Total current assets	2,939,217	155,605
Noncurrent assets:		
Capital assets, not being depreciated:		
Construction in progress	51,796	-
Capital assets, being depreciated:		
Buildings and improvements	11,357,321	-
Machinery and equipment	4,065,489	-
Infrastructure	11,917,316	-
Less accumulated depreciation	(10,680,116)	-
Total capital assets (net of accumulated depreciation)	16,711,806	-
Total noncurrent assets	16,711,806	-
Total assets	19,651,023	155,605
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	105,862	1,152
Due to other funds	38,818	140,632
Revenue bonds payable - current	324,000	-
Total current liabilities	468,680	141,784
Noncurrent liabilities:		
Compensated absences	130,076	-
Revenue bonds payable - noncurrent	4,212,000	-
Total noncurrent liabilities	4,342,076	-
Total liabilities	4,810,756	141,784
NET POSITION		
Net investment in capital assets	12,175,806	-
Unrestricted	2,664,461	13,820
Total net position	\$ 14,840,267	13,820

The notes to the financial statements are an integral part of this statement.

TOWN OF FALMOUTH, MAINE
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2013

	Business-type Activities - Enterprise Fund Wastewater	Governmental Activities Internal Service Fund
Operating revenues:		
Charges for services:		
User fees	\$ 1,558,158	238,896
Connection charges	10,305	-
Miscellaneous	389,989	-
Total operating revenues	1,958,452	238,896
Operating expenses:		
Personnel services	520,410	215,067
Contract services	514,997	5,840
Commodities	105,962	(2,004)
Depreciation	696,057	-
Total operating expenses	1,837,426	218,903
Operating income	121,026	19,992
Nonoperating revenues (expenses):		
Investment earnings	4,606	-
Interest expense	(154,560)	-
Total nonoperating revenues (expenses)	(149,954)	-
Income (loss) before contributions	(28,927)	19,992
Contributions from developers	65,711	-
Total contributions	65,711	-
Change in net position	36,783	19,992
Total net position - beginning	14,803,484	(6,172)
Total net position - ending	\$ 14,840,267	13,820

The notes to the financial statements are an integral part of this statement.

TOWN OF FALMOUTH, MAINE
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2013

	Business-type Activities- Enterprise Fund <u>Wastewater</u>	Governmental Activities- Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 1,949,348	238,895
Payments to suppliers	(577,590)	(23,829)
Payments to employees	(495,393)	(215,067)
Net cash provided by operating activities	876,365	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(459,812)	-
Repayment of revenue bonds	(324,000)	-
Interest expense	(154,560)	-
Capital contributions	65,711	-
Net cash used by capital and related financing activities	(872,661)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	4,606	-
(Purchase) sale of investments	(8,310)	-
Net cash used in investing activities	(3,704)	-
Net increase in cash	-	-
Cash, July 1	-	-
Cash, June 30	\$ -	-
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income	\$ 121,026	19,992
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	696,057	-
(Increase) decrease in accounts receivable	(9,104)	-
Increase (decrease) in accounts payable	43,369	(2,100)
Increase (decrease) in due to other funds	-	4,658
Increase in compensated absences payable	25,017	-
(Increase) decrease in inventories	-	(22,551)
Net cash provided by operating activities	\$ 876,365	-

The notes to the financial statements are an integral part of this statement.

TOWN OF FALMOUTH, MAINE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

		Agency Funds
ASSETS		
Cash	\$	270,244
Investments		216,894
Total assets		487,138
LIABILITIES		
Held for student activities		263,497
Accounts payable		4,460
Held for performance guarantees		219,181
Total liabilities		\$ 487,138

The notes to the financial statements are an integral part of this statement.

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Falmouth, Maine was incorporated in 1718 and operates under a Council-Manager form of Government. The Town of Falmouth's Department of Education is a department of the Town with an elected school board and an appointed Superintendent of Schools.

The accounting policies of the Town of Falmouth conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental and financial reporting principles. The following is a summary of the more significant of such policies:

A. Reporting Entity

In evaluating how to define the reporting entity, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit was made by applying the criteria set forth in accounting principles generally accepted in the United States of America, which defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Application of this criterion and determination of type of presentation involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. Based upon the application of these criteria, there were no potential component units required to be included in this report.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the 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 is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. The Town has elected not to allocate indirect costs among the programs, functions and segments. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The Town has only one proprietary fund and one internal service fund.

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current *financial resources measurement focus and the modified accrual basis of accounting*. Revenues are recognized as soon as 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 government 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, as well as expenditures related to certain compensated absences and claims and judgments, are recorded only when the payment is due.

Those revenues susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the Town and are recognized as revenue at that time. "On-behalf" payments are recognized as revenue and expenditures upon payment or earlier if the susceptible to accrual criteria are met.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The Town reports the following major governmental funds:

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

The *capital projects fund* accounts for the Town's capital projects. It accounts for all active construction projects and other capital outlay purchases for the school and the town.

The Town reports the following major proprietary fund:

The *wastewater fund* accounts for the operation of the wastewater treatment system in Falmouth. All users of the system pay quarterly fees, based upon the amount and type of usage, to support the expenditures of the fund.

Additionally, the Town reports the following fund types:

Fiduciary funds account for assets held by the Town in a trustee capacity or as an agent on behalf of others. The Town's fiduciary funds include the following fund type:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. The funds are used to account for assets that the Town holds for others in an agency capacity. The Town's agency funds consist of student activity funds and performance guarantees.

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

The *internal service fund* accounts for fleet maintenance services provided to other departments of the Town, on a cost reimbursement basis.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's wastewater fund and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, 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.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's proprietary fund are charges to customers for sales and services; operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. The Town also recognizes as operating revenues fees intended to recover the cost of connecting new customers to the system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

1. Deposits and investments

The Town's cash and cash equivalents are considered to be cash on hand and demand deposits.

Maine statutes authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, corporate securities, financial institutions stock and other stock investments. The Town has an investment policy that allows for investment in obligations of the U.S. government, its agencies and instrumentalities; insured or fully collateralized certificates of deposit of banks and savings and loan associations; repurchase agreements collateralized by Letters of Credit from such institutions such as Federal Home Loan Bank or the Federal Reserve Bank; and money market mutual funds whose portfolios consist entirely of U.S. Government securities.

Funds may also be invested in longer maturities, prime bankers' acceptances and secured commercial paper with an AAA rating according to the Standard & Poor's rating scale upon adoption of a motion of authorization by the majority of the governing body at a regular or special public meeting. Investments are reported at fair value.

2. Receivables and payables

All outstanding balances between funds are reported as "Due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable, available financial resources.

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Assets, Liabilities, and Net Position or Equity, Continued

3. Inventory

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Town generally defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets 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, if material to the basic financial statements, is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the Town are depreciated generally using the straight-line method over the following estimated useful lives: Buildings and improvements—20 years; system infrastructure—50 years; major equipment—10 years; vehicles, office and computer equipment—5 years.

5. Compensated absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation and sick pay is accrued when incurred in government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, because of employee resignations and retirements.

6. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, if material to basic financial statements, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Assets, Liabilities, and Net Position or Equity, Continued

7. Fund balances

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Town Council, the highest level of decision-making authority, by Council Order duly adopted prior to the end of the fiscal year. Once adopted, the limitation imposed by the Order remains in place until a similar action is taken (the adoption of another Order) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Town for specific purposes, but do not meet the criteria to be classified as committed. These are approved by Council Order, as with committed items, but can be adopted after the end of the fiscal year. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's budget.

Should there be multiple sources of funding available for a particular purpose, it is the Town's policy to expend currently budgeted resources first, and then use other sources in the order of restricted, then committed, then assigned amounts.

8. Deferred inflows of resources

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, which arises under a modified accrual basis of accounting that qualifies for reporting in this category, unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period in which the amounts become available.

9. Comparative data/reclassifications

Comparative data for the prior year have been presented only for certain funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. In addition, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

10. Use of estimates

Preparation of the Town's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

A budget is adopted for the General Fund only, and is adopted on a basis consistent with generally accepted accounting principles (except as described in the Maine Public Employees Retirement System footnote). Each spring, all departments of the Town, including the Education department, submit requests for appropriation to the Town Manager so that a budget may be prepared. The budgets include information on the past year, current year estimates and requested appropriations for the next fiscal year. In April, the proposed budget is presented to the Town Council for review. The Town Council holds public hearings before a final budget is adopted in May.

The appropriated budget is prepared by fund, function and department. The Town Manager may make transfers of appropriations within a function. Transfers of appropriations between functions require the approval of the Town Council. The legal level of control (level at which expenditures may not exceed budget without Town Council approval) is the function level. Generally, all unexpended budgetary accounts lapse at the close of the fiscal year. There were \$80,534 in supplemental appropriations authorized in fiscal year 2012-13 as demonstrated by the original and budgeted final amounts shown on the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits

Custodial Credit Risk-Town Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2013, the Town reported deposits of \$422,297 with a bank balance of \$446,334. Of the Town's bank balances of \$446,334, \$0 was exposed to custodial credit risk because it exceeded F.D.I.C. coverage and was uncollateralized.

Deposits have been reported as follows:

Reported in governmental funds	\$ 152,053
Reported in fiduciary funds	270,244
Total deposits	\$ 422,297

B. Investments

At June 30, 2013, the Town had the following investments and maturities:

	Fair <u>value</u>	Less than <u>1 year</u>	<u>1-5 years</u>	More than <u>5 years</u>
Certificates of deposit	\$ 3,464,312	2,353,908	991,640	118,764
Collateralized sweep	27,537,336	27,537,336	-	-
Money market funds (1)	197,696	-	not applicable	-
Mutual funds (1)	27,710	-	not applicable	-
Total investments	\$ 31,227,054	29,891,244	991,640	118,764

(1) Mutual funds and money market funds are not considered securities that exist in physical or book entry form and therefore are exempt from the custodial credit risk disclosure noted above.

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

III. DETAILED NOTES ON ALL FUNDS, CONTINUED

B. Investments, Continued

Investments have been reported as follows:

Reported in governmental funds	\$ 28,361,697
Reported in proprietary funds	2,648,463
Reported in fiduciary funds	216,894
Total investments	\$ 31,227,054

Interest Rate Risk: The Town does have a formal investment policy that implicitly addresses investment rate risk.

Credit Risk: Maine statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and certain corporate stocks and bonds. The Town does have a formal investment policy that implicitly addresses credit rate risk.

Custodial credit risk: investments – For investments, this is the risk that in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Town has a formal investment policy that implicitly addresses custodial credit risk. Of the Town’s \$3,464,312 investment in certificates of deposit, 100% was insured by F.D.I.C. Of the Town’s \$197,696 investment in money market funds, fully collateralized by underlying securities held by the trust department, which were in the Town’s name or had the respective federal insurance for the related bank or investment firm.

C. Receivables

Receivables as of year-end for the Town’s individual major funds and nonmajor, internal service and fiduciary funds taken together, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Wastewater Fund</u>	<u>Nonmajor and other funds</u>	<u>Total</u>
Receivables:				
Property taxes - current	\$ 815,593	-	-	815,593
Property taxes - prior	17,432	-	-	17,432
Property tax liens	179,115	-	-	179,115
<u>General accounts</u>	<u>272,529</u>	<u>267,270</u>	<u>499,598</u>	<u>1,039,397</u>
Net total receivables	\$1,284,669	267,270	499,598	2,051,537

Government funds report *deferred inflows of resources* in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unavailable revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (general fund)	\$ 647,609	-
Delinquent ambulance fees receivables (general fund)	91,290	-
Special assessments not yet earned (general fund)	-	7,879
Total unavailable/unearned revenue for governmental funds	\$ 738,899	7,879

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

III. DETAILED NOTES ON ALL FUNDS, CONTINUED

D. Property Tax

Property taxes for the current year were committed on September 13, 2012, based on the assessed value listed as of April 1, 2012, for all real and personal property located in the Town. The Town's total taxable assessed value of \$2,268,622,000 represented 108.5% of the State-equalized valuation for the Town of \$2,091,550,000.

The laws in the state of Maine permit the Town to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$53,949 for the year ended June 30, 2013. The variance between actual property tax revenues and budgeted property tax revenues represents overlay plus supplemental taxes less abatements.

Under Maine law, tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the lien if the tax liens and associated costs remained unpaid.

Property taxes levied during the year were recorded as receivables at the time the levy was made. The receivables collected during the year and in the first sixty days following the end of the fiscal year have been recorded as revenues. The remaining receivables have been recorded as deferred inflows of resources.

The following summarizes the 2013 and 2012 levies:

	<u>2013</u>	<u>2012</u>
Assessed value	\$ 2,268,622,800	2,261,304,282
Tax rate (per \$1,000)	13.43	12.92
Commitment	30,467,604	29,216,051
Supplemental taxes assessed	-	1,611
Total levy	30,467,604	29,217,662
Less:		
Abatements	(16,993)	(40,718)
Collections	(29,635,018)	(28,289,695)
Receivable at end of year	\$ 815,593	887,249
Due date(s)	½ November 1, 2012 ½ May 2, 2013	½ November 3, 2011 ½ May 3, 2012
Interest rate on delinquent taxes	7.0%	7.0%
Collection rate	97.3%	97.0%

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

III. DETAILED NOTES ON ALL FUNDS, CONTINUED

E. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance June 30, <u>2012</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2013</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,176,700	1,552,919	(1,500)	6,728,119
Construction in progress	155,993	1,514,964	(155,993)	1,514,964
Total capital assets not being depreciated	5,332,693	3,067,883	(157,493)	8,243,083
Capital assets being depreciated:				
Improvements other than buildings	1,527,925	123,876	-	1,651,801
Buildings and improvements	73,000,379	2,086,820	(4,039,509)	71,047,691
Machinery and equipment	10,385,346	882,818	(636,510)	10,631,654
Infrastructure	24,052,202	2,334,475	-	26,386,677
Total capital assets being depreciated	108,965,852	5,427,989	(4,676,019)	109,717,823
Less accumulated depreciation for:				
Improvements other than buildings	787,154	82,874	-	870,028
Buildings and improvements	16,251,057*	1,897,134	(3,145,434)	15,002,758
Machinery and equipment	7,024,285	593,744	(610,551)	7,007,478
Infrastructure	8,682,962	581,328	-	9,264,289
Total accumulated depreciation	32,743,458	3,155,080	(3,755,985)	32,144,554
Total capital assets being depreciated, net	76,220,394	2,272,909	(920,034)	77,573,269
Governmental activities capital assets, net	\$ 81,553,087	5,340,792	(1,077,527)	85,816,352

* Includes prior period adjustment of \$957,370, see note I.

Business-type activities:

Capital assets not being depreciated:

Construction in progress	\$ -	51,796	-	51,796
Total capital assets not being depreciated	-	51,796	-	51,796

Capital assets being depreciated:

Building and improvements	11,357,321	-	-	11,357,321
Machinery and equipment	3,710,973	408,016	(53,500)	4,065,489
Infrastructure, sewer	11,917,316	-	-	11,917,316
Total capital assets being depreciated	26,985,610	408,016	(53,500)	27,340,126

Less accumulated depreciation for:

Buildings and improvements	4,107,739	227,750	-	4,335,489
Vehicles and equipment	1,410,039	230,609	(53,500)	1,587,148
Infrastructure	4,519,781	237,698	-	4,757,479
Total accumulated depreciation	10,037,559	696,057	(53,500)	10,680,116

Total capital assets being depreciated, net 16,948,051 (288,041) - 16,660,010

Business-type activities capital assets, net \$ 16,948,051 (236,245) - 16,711,806

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

III. DETAILED NOTES ON ALL FUNDS, CONTINUED

E. Capital Assets, Continued

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

Governmental activities:	
General government	\$ 180,289
Public safety	535,499
Public works, including depreciation of general infrastructure assets	882,132
Community programs & parks	20,482
Education	1,536,678
<u>Total depreciation expense – governmental activities</u>	<u>3,155,080</u>
Business-type activities:	
<u>Wastewater</u>	<u>696,057</u>
 <u>Total depreciation expense</u>	 <u>\$ 3,851,137</u>

F. Construction Commitment

The Town has active construction commitments as of June 30, 2013 for the construction of improvements to the Middle School. At year-end, the Town's commitments on these school improvements are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Middle School Improvements	\$ 1,212,044	3,787,956

Bonds issued in 2014 will finance this project.

G. Interfund Receivables and Payables

Interfund loans are the result of having a centralized cash account shared by multiple funds. The internal Service Fund does not have its own cash account. Individual interfund loans receivable and payable balances at June 30, 2013 were as follows:

<u>Fund</u>	<u>Interfund loans receivable</u>	<u>Interfund loans payable</u>
General fund	\$ 1,064,770	-
Capital projects fund	-	464,066
Special revenue fund	-	460,072
Internal service fund	38,818	140,632
Enterprise fund	-	38,818
 <u>Totals</u>	 <u>\$ 1,103,588</u>	 <u>1,103,588</u>

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

III. DETAILED NOTES ON ALL FUNDS, CONTINUED

H. Long-term Debt

Bonds payable

General Obligation Bonds. The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities only. There is no outstanding business-type activities general obligation debt. The original amount of general obligation bonds issued in prior years was \$59,430,000. In addition to the amounts listed below, the Town also has \$2 million in authorized but unissued debt relating to the open space land acquisition bond approved by Falmouth voters in a November 2007 referendum and \$1.2 million related to the construction of a wood chip boiler at the middle school. This boiler has since been built, and it was decided to fund this from fund balance.

During the 2012-13 year the Town Council authorized an appropriation of \$11,700,000, of which an amount not to exceed \$9.4 million would be from the proceeds of bonds and \$2,300,000 from the Route 1 South TIF, for the infrastructure improvements along Route 1, a major thoroughfare and area of commerce in the Town. At a referendum vote on June 11, 2013, the voters of the Town approved the issuance of the bonds. It is expected that the bonds to finance this project will be issued in 2014.

On June 11, 2013, the voters of the Town of Falmouth, Maine also approved by referendum energy conservation and heating system improvements at the Middle School for \$3,250,000 and renovations to the Middle School for \$1,750,000. Bonds to finance these improvements were issued during October of 2013.

All governmental activities long-term debt service requirements are paid by either the General Fund or the West Falmouth Crossing tax increment financing (TIF) special revenue fund.

General obligation bonds are direct obligations and pledge the full faith and credit of the Town. These bonds are issued as serial bonds, generally with equal amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Date of issue</u>	<u>Date of maturity</u>	<u>Interest rate</u>	<u>Balance</u>
2009 High School Construction Refunding	2009	2019	2.00%-3.00%	\$ 1,400,000
2011 High School Construction Refunding	2011	2021	2.00%-4.00%	7,615,000
Public Safety building improvements	2007	2027	4.00%-4.25%	2,700,000
Elementary school construction	2011	2032	2.00%-4.25%	35,845,000
Total governmental activities				47,560,000
Business-type activity general obligation debt:				
None				-
Total business-type activity debt				-
Total bonds payable				\$ 47,560,000

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

III. DETAILED NOTES ON ALL FUNDS, CONTINUED

H. Long-term Debt, Continued

Bonds payable, continued

The annual debt service requirements to amortize general obligation bonds payable are as follows:

	<u>Governmental activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 3,140,000	1,487,946	4,627,946
2015	3,140,000	1,421,021	4,561,021
2016	3,135,000	1,353,956	4,488,956
2017	3,135,000	1,277,056	4,412,056
2018	3,135,000	1,186,231	4,321,231
2019-2023	14,210,000	4,520,706	18,730,706
2024-2028	10,125,000	2,535,022	12,660,022
2029-2032	7,540,000	631,475	8,171,475
Totals	\$ 47,560,000	\$14,413,413	61,973,413

Revenue Bonds. The Town also issues bonds where the Town pledges income derived from dedicated sewer user fees to provide funds for the construction of major sewer capital facilities. The original amount of revenue bonds issued in prior years was \$6,480,000. During the year, no new revenue bond debt was issued. These revenue bonds are reported in the wastewater treatment proprietary fund as they will be repaid from proprietary fund sewer user fee revenues. Revenue bonds outstanding at year-end are as follows:

<u>Purpose</u>	<u>Date of issue</u>	<u>Date of maturity</u>	<u>Interest rate</u>	<u>Balance</u>
Wastewater treatment plant upgrade	2007	2027	1.88%	\$ 4,536,000

Revenue bond debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 324,000	102,543	426,543
2015	324,000	96,147	420,147
2016	324,000	89,751	413,751
2017	324,000	83,355	407,355
2018	324,000	76,960	400,960
2019-2023	1,620,000	288,862	1,908,862
2024-2028	1,296,000	115,966	1,411,966
Totals	\$ 4,536,000	853,584	5,389,584

In accordance with 30 MRSA, Section 5061, as amended, no municipality shall incur debt for specified purposes in excess of certain percentages of state valuation of such municipality. Additionally, no municipality shall incur debt in the aggregate in excess of 15% of its State assessed valuation. At June 30, 2013, the Town's outstanding debt did not exceed these limits.

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

III. DETAILED NOTES ON ALL FUNDS, CONTINUED

H. Long-term Debt, Continued

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
General obligation bonds payable	\$ 50,700,000	-	3,140,000	47,560,000	3,140,000
Promissory note payable	100,000	-	100,000	-	-
Compensated absences	1,795,130	269,604	150,362	1,914,372	100,000
Unfunded pension liability	74,962	-	74,962	-	-
Other post-employment benefits	458,774	91,744	-	550,518	26,000
Landfill post-closure care costs	80,000	-	-	80,000	3,000
Governmental activity long-term liabilities	<u>53,208,866</u>	<u>361,348</u>	<u>3,465,324</u>	<u>50,104,890</u>	<u>3,269,000</u>
Business-type activities:					
Compensated absences	105,059	25,017	-	130,076	-
Revenue bonds payable	4,860,000	-	324,000	4,536,000	324,000
Business-type activity long-term liabilities	<u>4,965,059</u>	<u>25,017</u>	<u>324,000</u>	<u>4,666,076</u>	<u>324,000</u>
Total long-term governmental and business-type activities	<u>\$ 58,173,925</u>	<u>386,365</u>	<u>3,789,324</u>	<u>54,770,966</u>	<u>3,593,000</u>

For the governmental activities, claims judgments and compensated absences are generally liquidated by the general fund.

Landfill post-closure costs - Under state law, Maine communities had until December 31, 1994 to close existing landfills under a Maine Department of Environmental Protection (DEP) approved plan. In 1990, the Town closed its Woods Road Landfill in accordance with a plan approved by the Maine DEP. All closure costs were paid in full at the time of the closure. The Town is also required to perform certain monitoring tests at the site for thirty years after closure. The Town reports these post-closure costs as operating expenditures in each period as the monitoring tests are performed. The \$80,000 reported as landfill postclosure care liability at June 30, 2013 represents the estimated remaining cost of the monitoring tests at the site for thirty years after closure. This amount may change due to changes in technology, inflation or deflation, or applicable laws and regulations. Because these remaining costs will be paid from future resources, the liability has been reported as a long-term liability in the government-wide financial statements.

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

III. DETAILED NOTES ON ALL FUNDS, CONTINUED

H. Long-term Debt, Continued

Jointly Governed Organization

The Town of Falmouth participates in a jointly governed organization, which is not part of the Town's reporting entity.

Ecomaine is a solid waste management corporation serving 40 municipalities in Cumberland, Oxford, and York counties in Maine. Owned and controlled by 21 member communities, ecomaine creates electricity through its processing of waste and operates an extensive recycling program. The Town is a member community in ecomaine. Interlocal (waste handling) agreements between ecomaine and participating communities obligate the members to deliver certain solid waste produced within the community to ecomaine for processing and to make service payments and pay tipping fees for such processing. The Town has no explicit, measurable equity interest and therefore has not reported an asset in these financial statements in connection with its participation in ecomaine. Selected balance sheet information for ecomaine for the year ended June 30, 2013 includes total assets of \$60,282,199, total liabilities of \$17,775,424 and unrestricted net position of \$11,323,226. The liabilities include an accrual for landfill closure and postclosure care amounting to \$15,951,872. ecomaine has a plan to fund this liability in the form of a cash reserve over the period of years between 2011 and a projected closing date. The separate audited financial statements of ecomaine may be obtained at their administrative office: ecomaine, 64 Blueberry Rd., Portland, Maine 04102.

Total debt and contingencies

	As of June 30, 2013		
	Direct debt	Overlapping debt	Total debt
<u>Governmental unit</u>			
Town of Falmouth	\$ 47,560,000	-	47,560,000
Cumberland County	-	2,002,056	2,002,056
Portland Water District - water debt	-	2,571,444	2,571,444
Totals	\$ 47,560,000	4,573,500	52,133,500

Reimbursement for debt service expenditures

The State of Maine currently reimburses the Town for a portion of the financing costs of school building and school bus purchases. Continuation of such reimbursements is dependent upon continued appropriation by the State Legislature.

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

III. DETAILED NOTES ON ALL FUNDS, CONTINUED

I. Fund Balances

In the governmental fund financial statements fund balance is reported in five classifications.

Nonspendable fund balance	Nonspendable fund balance represent fund balance amounts that are not in spendable form, such as inventories.
Restricted	Restricted by State or Federal statute as a portion of fund balance such as TIF Fund commitments. The Town also considers amounts as restricted that are from Private or Public Grants. Any matching amounts are also considered restricted as they cannot be withdrawn due to the outside parties' involvement and commitment.
Committed	Committed is that portion of fund balance that has been approved by the highest level of formal action of the Town Council and does not lapse at year-end. An example of Committed Funds would be amounts for Town initiated only projects or activities in the Recreation and Capital Funds. Once adopted, the limitation imposed by the Order remains in place until a similar action is taken (the adoption of another Order) to remove or revise the limitation.
Assigned	Assigned is the portion of fund balance that has been approved by formal action of the Town Council for appropriation in future budgets. The amounts are not for a highly specified purpose and their use has some discretion by the administration. Special Revenue balances that do not meet the above categories are considered assigned. The Town Manager or the appropriate Department Director(s) then specifically assign these amounts.
Unassigned	Fund balance that has not been reported in any other classification. Note that in all governmental funds other than the general fund, amounts expended in excess of resources that do not meet the above categories are classified here – i.e. residual deficits.

The Town has a written fund balance policy which authorizes funds in excess of the Town's required minimum unassigned fund balance of two months (or 16.7%) of operating expenditures to be appropriated for "one-time" capital or non-operating uses. The Town also reserves \$1,000,000 in addition to that amount for future capital expenditures.

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

III. DETAILED NOTES ON ALL FUNDS, CONTINUED

I. Fund Balances, continued

The Town has no formal revenue spending policy for programs with multiple revenue sources. The Town generally uses resources in the following hierarchy unless otherwise directed by Statute or Council: bond proceeds, federal funds and State funds, local non-town funds, town funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly, unassigned fund balance.

PRIOR PERIOD ADJUSTMENT

Because of reporting errors noted in previously issued financial statements, the Town has adjusted amounts accrued for certain withholding accounts, accumulated depreciation, and fund balances as follows:

	<u>Governmental Activities</u>
Net position, as previously reported	\$ 55,493,134
Previously unreported depreciation	(957,370)
Correct overstated withholdings	67,998
Net position, as restated	\$ 54,603,762

	<u>General Fund</u>
Fund balance, as previously reported	\$ 17,976,753
Correct overstated withholdings	67,997
Fund balance, as restated	\$ 18,044,750

J. Fund Balances – Reserve Accounts for Subsequent Years

Reserve accounts existed for subsequent years. These accounts are distributed based on GASB 54 across the unassigned, assigned, committed and restricted categories. These consisted of the following:

	<u>2012</u>	<u>2013</u>
General fund:		
Capital improvements and reserve accounts:		
Emergency medical team reserve	\$ 158,341	-
Town Hall reserve	44,996	-
General assistance emergency reserve	63,121	-
Cable TV improvement reserve	209,962	-
General CIP reserve	75,993	-
Metro/RTP bus reserve	79,588	79,589
Bicycle path/sidewalk reserve	383,213	-
Energy efficiency reserve	39,015	-
Bond sinking reserve	280,406	-
Parks equipment reserve	77,969	-
Community programs equipment reserve	80,957	-
Park improvements reserve	269,488	-

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

III. DETAILED NOTES ON ALL FUNDS, CONTINUED

J. Fund Balances – Reserve Accounts for Subsequent Years, continued

	<u>2012</u>	<u>2013</u>
General fund:		
Capital improvements and reserve accounts:		
River point project reserve	\$ (8,107)	
Land acquisition reserve	419,414	-
Open space reserve	40,014	-
Public works equipment reserve	49,600	-
Fire vehicle reserve	156,052	-
Fire building/equipment reserve	97,827	-
Police equipment reserve	60,111	-
Harbor control reserve	28,351	-
Police communications reserve	58,135	-
Traffic signal reserve	137,565	-
Police office equipment reserve	34,977	-
Landfill equipment reserve	40,930	-
Public works building reserve	(48,348)	-
Landfill monitoring reserve	11,995	-
Emergency management reserve	271,495	-
Street improvements reserve	2,484,990	-
Master planning reserve	70,066	70,067
Community Center reserve	100,108	-
Stabilization/severance reserve	126,757	-
Employee wellness reserve	17,268	17,268
Office equipment reserve	88,928	-
Self insurance reserve	21,227	-
General government vehicle reserve	53,992	-
Computer reserve	248,767	-
MUNIS Systems Reserve	27,989	-
Total General Fund	<u>6,353,152</u>	<u>166,924</u>
School Department:		
Unemployment reserve - restricted	-	27,710
High school mediation reserve - committed	1,208	-
Capital projects reserve – committed	656,936	192,867
Other - committed	144,790	558,742
Total School Department	<u>802,934</u>	<u>779,319</u>
Total General Fund and School Department	<u>7,156,086</u>	<u>946,243</u>
Capital Projects - committed:		
Education	-	121,398
Community Program Vehicle	-	41,069
Comm. Equipment	-	20,286
Fire Equipment	-	132,827
Fire Vehicles	-	442,747
General Government Equipment	-	56,170
General Government Renovation	-	27,571

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

III. DETAILED NOTES ON ALL FUNDS, CONTINUED

J. Fund Balances – Reserve Accounts for Subsequent Years, continued

	<u>2012</u>	<u>2013</u>
Capital Projects - committed:		
General Government Vehicles	\$ -	53,992
RR Xing	-	52,000
Harbor Equipment	-	21,209
IT Computer	-	232,035
Parks Land	-	419,414
Parks Reno	-	280,043
Parks Vehicle	-	53,750
Police Equipment	-	37,956
Police Vehicle	-	90,200
RR Crossing UPG	-	128,110
Trans STN Equipment	-	40,930
Public Works Streets	-	2,531,112
Public Works Vehicles	-	61,599
Capital Projects – assigned:		
Community Program Vehicle	-	100,108
MUNIS Equipment	-	14,891
Capital Projects – unassigned:		
Public Works Equipment	-	(45,848)
Total capital project funds	-	4,913,569
Permanent funds:		
Nonexpendable trust – Perpetual Care	9,607	9,617
Leola West Scholarship Fund	36,822	36,489
Elmer Holding High School Gift Fund	375,370	342,636
Total permanent funds	421,800	388,740
The amounts above total to the following GASB 54 categories:		
General fund:		
Assigned	128,097	87,335
Committed	5,690,995	831,198
Restricted	552,379	27,710
Unassigned	784,615	-
Total	7,156,086	946,243
Capital Projects – committed	-	4,844,418
Capital Projects – assigned	-	114,999
Capital Projects – unassigned	-	(45,848)
Scholarships/gifts – restricted	412,192	379,125
Perpetual Care – restricted	9,607	9,617
Total	421,800	5,302,311

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

IV. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the Town either carries commercial insurance, participates in a public entity risk pool, or is effectively self-insured. Currently, the Town participates in several public entity and self-insured risk pools sponsored by the Maine Municipal Association. Based on the coverage provided by these pools, as well as coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claim liabilities that should be recorded at June 30, 2013. There have been no significant reductions in the commercial coverage from the prior year and no settlements have exceeded insurance coverage in any of the past three years.

The School Department maintains an account for unemployment compensation, which amounted to \$27,710 at June 30, 2013 to cover any potential claim liability that might occur. As of the date of this report, there are no unpaid claims outstanding, nor is the Town aware of any potential claims that have been incurred yet remains unreported at June 30, 2013.

B. Maine Public Employees Retirement System - Consolidated Plan

Description of the Plan - The Town contributes to the Maine Public Employees Retirement System Consolidated Plan, a cost sharing multiple-employer public employee retirement system established by the Maine State legislature. The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State Legislature. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained by writing to Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

Funding Policy - Plan members are required to contribute 6.5% of their annual covered salary and the Town of Falmouth is required to contribute an actuarially determined rate. The current rate is 4.4% of annual covered payroll. The contribution rates of plan members and the Town of Falmouth are established and may be amended by the Maine Public Employees Retirement System Board of Trustees. The Town's contributions to the Maine Public Employees Retirement System Consolidated Plan for the years ended June 30, 2013, 2012 and 2011 were \$188,107, \$153,577, and \$113,183, respectively, equal to the required contributions for each year.

Unfunded Actuarial Accrued Liability - Effective July 1, 1996, the Town joined the Consolidated Plan of the Maine Public Employees Retirement System. Upon entry, the Town ceased to be an individual sponsor of PLD #87 and instead became a participant in the Consolidated Plan. As a participant of the plan, the Town is required to fund its initial unpooled unfunded actuarial liability over a period of 17 years. At June 30, 2013, the remaining balance is \$0. The Town paid this entire balance by July 1, 2012.

Maine Public Employees Retirement System - Teacher's Group

Description of Plan - All school teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's teacher group. The teacher's group is a cost-sharing plan with a special funding situation, established by the Maine State legislature. The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State Legislature. The Maine Public Employees Retirement System issues a publicly available financial report

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

IV. OTHER INFORMATION, CONTINUED

B. Maine Public Employees Retirement System - Consolidated Plan, Continued

that includes financial statements and required supplementary information for the Teacher's Group. That report may be obtained by writing to Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

Funding Policy - Plan members are required to contribute 7.65% of their compensation to the retirement system. The same statute requires the State of Maine Department of Education, to contribute the employer contribution, which amounts to \$2,374,064 (15.86%) for fiscal year 2013. This amount has been reported as an intergovernmental revenue and education expenditure in the statement of activities (Statement 2) and in Statement 4 (GAAP basis). There is no contribution required by the School except for federally funded teachers, for which the School contributed 16.33% of their compensation. This cost is charged to the applicable grant.

C. Defined Contribution Pension Plan

Description of the Plan - The Town also offers a defined contribution plan administered by the International City Management Association Retirement Corporation in accordance with the provisions of Section 401(a) of the Internal Revenue Code. Only full-time regular employees not enrolled in the Maine Public Employees Retirement System are eligible to enroll in this program. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Participating employees are fully vested in the plan in three years from the date of their employment.

Funding Policy - Participating union plan members are required to contribute 5% of their annual covered salary and non-union members are required to contribute 4%. The Town contributes 8% of the annual covered salary for both union and non-union employees. For fiscal year 2013, employer contributions to the plan totaled \$72,945 and employee contributions totaled \$40,486.

D. Deferred Compensation Plan

The Town of Falmouth offers all its employees a voluntary deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. The plan permits participating employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Enrollment in this plan is voluntary by the employee and the Town does not contribute to the plan. The International City Management Association Retirement Corporation administers the plan.

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

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

IV. OTHER INFORMATION, CONTINUED

E. Tax Increment Financing Districts

The Town has designated three Tax Increment Financing (TIF) Districts, the Route One TIF District, the Route One South TIF District, and the West Falmouth Crossing TIF District. The Town has adopted a development program for each of these TIF Districts under applicable State of Maine statutes. The TIFs are reported as special revenue funds for financial reporting purposes. The TIFs allow the Town to “capture” the increase in assessed value resulting from development within the Districts and dedicate the increased property taxes it receives in future years generated by the “captured” assessed value to the payment of the costs of the development program.

With respect to the West Falmouth Crossing TIF, these costs include payment to the developer of up to 90% of the TIF revenues in years 1 through 14 and 60% in years 15 through 25.

F. Postemployment Benefits

The Governmental Accounting Standards Board (GASB) promulgated its Statement 45, which addressed the reporting and disclosure requirements for other postemployment benefits (OPEB). GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was implemented, as required, by the Town of Falmouth for the year ended June 30, 2009. Under this pronouncement, it is required that the long-term cost of retirement health care and obligations for other postemployment benefits be determined on an actuarial basis and reported similar to pension plans.

The Town is a member of the Maine Municipal Employees Health Trust. The Trust is an agent-multiple employer Voluntary Employee’s Beneficiary Association. Benefit provisions are established and may be amended by the Maine Municipal Employees Health Trust Board of Trustees. The Town is an individually rated member within the Association. The Trust issues a publicly available financial report. That report may be obtained by writing to the Maine Municipal Association at 60 Community Drive, Augusta, ME 04332. The Health Trust contracted with an outside consultant to assist in the determination and valuation of the Town’s OPEB liability under GASB Statement 45. An OPEB liability actuarial valuation was completed by the consultants in October 2011 based on an actuarial valuation date of January 1, 2011.

Plan Descriptions - In addition to providing pension benefits, the Town provides health care benefits for certain retired employees. Eligibility to receive health care benefits follows the same requirements as MainePERS. Eligible retirees are required to pay 100% of the health insurance premiums to receive health benefit coverage and therefore, the Town makes no actual contributions.

Funding Policy and Annual OPEB Cost - GASB Statement 45 does not mandate the prefunding of postemployment benefits liability. The Town currently plans to fund these benefits on a pay-as-you-go basis. No assets have been segregated and restricted to provide postemployment benefits. The annual required contribution (ARC), an actuarial determined rate, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities over a period not to exceed thirty years. The Board of Trustees of the Trust sets the employer contribution rates each year. The employee share contributed is determined through negotiations between the Town and the respective unions.

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

IV. OTHER INFORMATION, CONTINUED

F. Postemployment Benefits, continued

The following table represents the OPEB costs for the year and the annual required contribution:

Normal cost	\$ 47,495
Amortization of unfunded	62,346
Adjustment to ARC	(25,819)
<u>Interest</u>	<u>20,033</u>
Annual required contribution	\$ 104,055

Net OPEB Obligation – The Town’s net OPEB obligation was calculated as follows:

OPEB liability, July 1, 2012	\$ 446,462
Annual required contribution	104,055
<u>Less: Actual contributions</u>	<u>-</u>
OPEB liability, June 30, 2013	\$ 550,518

Funding Status and Funding Progress – The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ending June 30, 2013, 2012 and 2011 was as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual required contribution	\$ 104,055	105,944	107,878
Actual contribution	-	-	-
Percent contributed	0.00%	0.00%	0.00%
Net OPEB obligation at end of year	550,518	446,462	340,518
Actuarial accrued liability	1,121,210	1,121,210	1,121,210
<u>Plan assets</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unfunded actuarial accrued liability	\$ 1,121,210	1,121,210	1,121,210
Covered payroll	3,916,399	3,800,568	3,695,167
Unfunded actuarial accrued liability as a percentage of covered payroll	28.6%	29.5%	30.3%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information, that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

IV. OTHER INFORMATION, CONTINUED

F. Postemployment Benefits, continued

Actuarial Methods and Assumptions - Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Town and plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets. Significant methods and assumptions were as follows:

Actuarial valuation date	1/1/11
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	30 years - open

Actuarial assumptions:

Net Investment rate of return	4.0%
Projected salary increases	N/A
Healthcare cost trend rate	4.0% - 8.7%

The Town uses the level dollar method of calculating the annual required contribution to fund the plan. The level dollar method divides the liability into equal dollar amounts over the selected number of years; each payment is part interest, part principal (like a fixed mortgage payment). The actuarial valuation provided therefore does not address payroll growth and the related inflation explicitly.

**TOWN OF FALMOUTH, MAINE
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress**

Retiree Healthcare Plan

<u>Fiscal Year</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) – Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a) / c]</u>
2009	01/01/09	\$ -	\$ 980,829	\$ 980,829	0.00%	\$ 3,633,359	27.0%
2010	01/01/09	-	\$ 980,829	\$ 980,829	0.00%	3,628,561	27.0%
2011	01/01/09	-	1,121,210	1,121,210	0.00%	3,695,167	30.3%
2012	01/01/11	-	1,121,210	1,121,210	0.00%	3,800,658	29.5%
2013	01/01/11	-	1,121,210	1,121,210	0.00%	3,916,399	28.6%

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are restricted or committed to expenditure for particular purposes.

West Falmouth Crossing Tax Increment Financing (TIF) District – This fund is used to account for the West Falmouth Crossing TIF program.

Route One Tax Increment Financing (TIF) District – This fund is used to account for the Route One TIF program.

Route One South Tax Increment Financing (TIF) District – This fund is used to account for the Route One South TIF program.

Recreation Revolving Accounts – This fund is used to account for unbudgeted self-sustaining recreational and adult education programs offered by the Community Programs Department.

Town Revolving Accounts – This account is used to account for unbudgeted self-sustaining municipal programs.

School Department Grants – This fund is used to account for various Federal and State categorical grants for special programs administered by the School Department.

School Department Scholarship – This fund is used to account for scholarship amounts donated to the School Department, for which no trust agreement exists.

School Lunch – This fund is used to account for the School lunch program administered by the School Department.

School Activity Fees – This fund is used to account for activity fees to cover student participation in athletic and co-curricular programs.

Falmouth Education Foundation Grants – This fund is used to account for donations by the Falmouth Education Foundation to support education.

PERMANENT FUNDS

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Perpetual Care Fund – This fund is used for the care of designated cemetery lots.

Leola West Scholarship Fund – This fund is used to provide an annual scholarship to a Falmouth High School student.

Elmer Holding High School Gift Fund – This fund is a gift to the high school as part of an estate trust distribution. This gift can be used for any purpose desired.

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TOWN OF FALMOUTH, MAINE
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2013

	Special Revenue Funds										Total	Permanent Funds			Total Nonmajor Governmental Funds	
	West Falmouth TIF District	Route One TIF District	Route One South TIF District	Recreation Revolving Accounts	Town Revolving Accounts	School Scholarship Fund	School Grant Fund	School Lunch Program	School Sports Activity / Field Rental Fees	Falmouth Educ. Foundation Grants		Perpetual Care	Leola West Scholarship Fund	Elmer Holding High School Gift Fund		Total
ASSETS																
Cash	\$ -	-	-	-	-	76,287	-	-	-	-	76,287	9,617	36,489	-	46,106	122,393
Investments	976,964	1,863,975	2,698,380	305,345	753,374	-	118,289	10	-	-	6,716,337	-	-	382,716	382,716	7,099,053
Accounts receivable	-	-	-	-	-	-	427,664	71,934	-	-	499,598	-	-	-	-	499,598
Inventory	-	-	-	-	-	-	-	18,752	-	-	18,752	-	-	-	-	18,752
Total assets	\$ 976,964	1,863,975	2,698,380	305,345	753,374	76,287	545,953	90,695	-	-	7,310,973	9,617	36,489	382,716	428,822	7,739,795
LIABILITIES AND FUND BALANCES																
Accounts payable	-	-	85,531	-	41,736	-	46,287	-	-	-	179,554	-	-	-	-	179,554
Due to the general fund	-	-	-	-	-	-	371,006	-	-	-	419,992	-	-	40,080	40,080	460,072
Total liabilities	-	-	85,531	-	41,736	-	417,293	-	-	-	599,546	-	-	40,080	40,080	633,627
Fund balances (deficit):																
Nonspendable	-	-	-	-	-	-	-	18,752	-	-	18,752	-	-	-	-	18,752
Restricted:																
Perpetual care	-	-	-	-	-	-	-	-	-	-	-	9,617	-	-	9,617	9,617
Scholarships/gifts	-	-	-	-	-	-	-	-	-	-	-	-	36,489	342,636	379,125	379,125
All other purposes	976,964	1,863,975	2,612,849	-	104,590	76,287	128,659	71,944	-	-	5,835,267	-	-	-	-	5,835,267
Assigned	-	-	-	305,345	607,048	-	-	-	-	-	912,393	-	-	-	-	912,393
Unassigned	-	-	-	-	-	-	-	-	-	-	(48,986)	-	-	-	-	(48,986)
Total fund balances (deficit)	976,964	1,863,975	2,612,849	305,345	711,638	76,287	128,659	90,695	-	(48,986)	6,717,426	9,617	36,489	342,636	388,742	7,106,169
Total liabilities and fund balances	\$ 976,964	1,863,975	2,698,380	305,345	753,374	76,287	545,953	90,695	-	-	7,310,973	9,617	36,489	382,716	428,822	7,739,795

TOWN OF FALMOUTH, MAINE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2013

	Special Revenue Funds											Permanent Funds				Total Nonmajor Funds
	West Falmouth TIF District	Route One TIF District	Route One South TIF District	Recreation Revolving Accounts	Town Revolving Accounts	School Scholarship Fund	School Grant Fund	School Lunch Program	School Sports Activity / Field Rental Fees	Falmouth Educ. Foundation Grants	Total	Perpetual Care	Leola West Scholarship Fund	Elmer Holding High School Gift Fund	Total	
REVENUES																
Taxes	\$ 623,891	1,084,382	410,963	-	-	-	-	-	-	-	2,119,236	-	-	-	-	2,119,236
Intergovernmental	-	-	-	-	93,925	-	819,997	625,504	-	-	1,539,426	-	-	-	-	1,539,426
Investment earnings	-	-	-	-	-	-	-	-	-	-	-	9	42	11,539	11,591	11,591
Miscellaneous	-	-	-	491,360	486,852	-	-	-	-	-	978,212	-	-	-	-	978,212
Total revenues	623,891	1,084,382	410,963	491,360	580,777	-	819,997	625,504	-	-	4,636,874	9	42	11,539	11,591	4,648,464
EXPENDITURES																
Current:																
Education	-	-	-	-	-	-	747,094	692,948	-	48,986	1,489,027	-	375	44,273	44,648	1,533,675
Non-departmental	42,815	32,598	19,347	-	379,306	-	-	-	-	-	474,065	-	-	-	-	474,065
Community development	-	-	-	-	98,080	-	-	-	-	-	98,080	-	-	-	-	98,080
Community programs	-	-	-	580,893	-	-	-	-	-	-	580,893	-	-	-	-	580,893
Capital outlay:																
Capital improvements/WIP/revolving	508,886	16,734	521,467	-	1,325,097	-	-	-	-	-	2,372,184	-	-	-	-	2,372,184
Total expenditures	551,701	49,332	540,814	580,893	1,802,483	-	747,094	692,948	-	48,986	5,014,249	-	375	44,273	44,648	5,058,897
Excess (deficiency) of revenues over (under) expenditures	72,190	1,035,050	(129,851)	(89,532)	(1,221,706)	-	72,903	(67,444)	-	(48,986)	(377,376)	9	(333)	(32,734)	(33,057)	(410,433)
OTHER FINANCING SOURCES (USES)																
Transfers in (out) - general fund	-	(2,742,699)	2,742,700	103,609	1,624,006	-	-	-	(382,038)	-	1,345,577	-	-	-	-	1,345,577
Total other financing sources and (uses)	-	(2,742,699)	2,742,700	103,609	1,624,006	-	-	-	(382,038)	-	1,345,577	-	-	-	-	1,345,577
Net change in fund balances	72,190	(1,707,649)	2,612,849	14,077	402,300	-	72,903	(67,444)	(382,038)	(48,986)	968,202	9	(333)	(32,734)	(33,057)	935,145
Fund balances - beginning	904,774	3,571,624	-	291,269	309,338	76,287	55,756	158,139	382,038	-	5,749,225	9,607	36,822	375,370	421,799	6,171,024
Fund balances (deficit) - ending	\$ 976,964	1,863,975	2,612,849	305,345	711,638	76,287	128,659	90,695	-	(48,986)	6,717,426	9,617	36,489	342,636	388,742	7,106,169

AGENCY FUNDS

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TOWN OF FALMOUTH, MAINE
Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2013

	Student Activity Funds	Performance Guarantees	Total
ASSETS			
Cash	\$ 263,497	6,747	270,244
Investments	-	216,894	216,894
Total assets	\$ 263,497	223,641	487,138
LIABILITIES			
Held for student activities	263,497	-	263,497
Accounts payable		4,460	4,460
Held for performance guarantees	-	219,181	219,181
Total liabilities	\$ 263,497	223,641	487,138

TOWN OF FALMOUTH, MAINE
Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
ASSETS				
Student activity funds	\$ 270,981	-	7,484	263,497
Performance guarantees	217,077	55,711	49,147	223,641
Total assets	\$ 488,058	55,711	56,631	487,138
LIABILITIES				
Funds held for student activities	270,981	-	7,484	263,497
Accounts payable	-	57,617	53,157	4,460
Funds held for performance guarantees	217,077	55,711	53,607	219,181
Total liabilities	\$ 488,058	113,328	114,248	487,138

TOWN OF FALMOUTH, MAINE
Detailed Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
SCHOOL ACTIVITIES				
ASSETS				
Cash	\$ 270,981	-	7,484	263,497
Total assets	\$ 270,981	-	7,484	263,497
LIABILITIES				
Funds held for student activities	270,981	-	7,484	263,497
Total liabilities	\$ 270,981	-	7,484	263,497
CONSTRUCTION PROJECTS				
ASSETS				
Cash	13,979	4	7,235	6,747
Investments	203,098	55,707	41,911	216,894
Total assets	\$ 217,077	55,711	49,147	223,641
LIABILITIES				
Accounts payable	-	57,617	53,157	4,460
Funds held for performance guarantees	217,077	55,711	53,607	219,181
Total liabilities	\$ 217,077	113,328	106,764	223,641

CAPITAL PROJECT FUND

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TOWN OF FALMOUTH, MAINE
Capital Project Fund
For the year ended June 30, 2013

Project:	Balance July 1, 2012	Reclass/ Transfers	Miscellaneous Revenue	Intergovernmental Revenue	Capital Expenditures	Balance June 30, 2013
Education	\$ 1,384,188	\$ 1,200,000	\$ 989,047	\$ -	\$ 3,451,837	\$ 121,398
Community Center	-	100,108	-	-	-	100,108
Community Program Vehicle	-	80,957	-	-	39,888	41,069
Community Equipment	-	26,768	-	58,450	64,931	20,286
Fire Equipment	-	132,827	-	-	-	132,827
Fire Vehicles	-	456,793	-	-	14,046	442,747
General Government Equipment	-	115,428	-	-	59,259	56,170
General Government Renovation	-	44,996	2,475	-	19,900	27,571
General Government Vehicle	-	53,992	-	-	-	53,992
Railroad Crossing	-	75,000	-	-	23,000	52,000
Harbor Equipment	-	32,351	-	-	11,142	21,209
IT Computer	-	323,767	-	-	91,732	232,035
Parks Land	-	419,414	-	-	-	419,414
Parks Renovation	-	289,488	65,000	-	74,445	280,043
Parks Vehicle	-	89,369	-	-	35,619	53,750
Munis Equipment	-	27,989	-	-	13,099	14,891
Police Equipment	-	37,517	-	1,407	968	37,956
Police Vehicle	-	148,978	-	-	58,778	90,200
Railroad Crossing UPG	-	130,000	-	-	1,890	128,110
Trans STN Equipment	-	40,930	-	-	-	40,930
Public Works Equipment	-	(45,848)	-	-	-	(45,848)
Public Works Streets	-	3,572,202	154,551	-	1,195,641	2,531,112
Public Works Vehicles	-	222,600	-	-	161,001	61,599
Total capital projects	\$ 1,384,188	\$ 7,575,626	\$ 1,211,072	\$ 59,857	\$ 5,317,176	\$ 4,913,569

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STATISTICAL SECTION

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STATISTICAL SECTION

This part of the Town of Falmouth, Maine's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Tables
Financial Trends <i>These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.</i>	1-4
Revenue Capacity <i>These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.</i>	5-8
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.</i>	9-12
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.</i>	13-14
Operating Information <i>This schedule contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	15

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TOWN OF FALMOUTH, MAINE
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities:										
Net investment in capital assets	\$ 21,789,401	\$ 22,555,845	\$ 23,837,500	\$ 21,136,556	\$ 25,877,739	\$ 29,243,561	\$ 29,598,688	\$ 24,544,049	\$ 30,753,086	\$ 38,256,352
Restricted	151,822	9,473	9,521	3,784,303	9,569	81,535	804,873	9,973,196	6,781,723	6,251,719
Unrestricted	14,478,882	17,887,028	19,618,270	19,482,983	19,635,651	19,327,347	20,899,310	18,275,885	17,068,952	18,026,092
Total governmental activities net position	\$ 36,420,105	\$ 40,452,346	\$ 43,465,291	\$ 44,403,842	\$ 45,522,959	\$ 48,652,443	\$ 51,302,871	\$ 52,793,130	\$ 54,603,761	\$ 62,534,163
Business-type activities:										
Net investment in capital assets	\$ 9,410,123	\$ 9,367,477	\$ 9,665,108	\$ 8,652,332	\$ 10,688,897	\$ 11,097,823	\$ 12,375,251	\$ 12,227,194	\$ 12,088,052	\$ 12,175,806
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	1,519,536	1,659,140	1,818,827	4,345,944	2,574,400	2,161,608	2,393,447	2,574,430	2,715,432	2,664,461
Total business-type activities net position	\$ 10,929,659	\$ 11,026,617	\$ 11,483,935	\$ 12,998,276	\$ 13,263,297	\$ 13,259,431	\$ 14,768,698	\$ 14,801,624	\$ 14,803,484	\$ 14,840,267
Primary government:										
Net investment in capital assets	\$ 31,199,524	\$ 31,923,322	\$ 33,502,608	\$ 29,788,888	\$ 36,566,636	\$ 40,341,384	\$ 41,973,939	\$ 36,771,242	\$ 42,841,138	\$ 50,432,158
Restricted	151,822	9,473	9,521	3,784,303	9,569	81,535	804,873	9,973,196	6,781,723	6,251,719
Unrestricted	15,998,418	19,546,168	21,437,097	23,828,927	22,210,051	21,488,955	23,292,757	20,850,316	19,784,384	20,690,552
Total primary government net position	\$ 47,349,764	\$ 51,478,963	\$ 54,949,226	\$ 57,402,118	\$ 58,786,256	\$ 61,911,874	\$ 66,071,569	\$ 67,594,754	\$ 69,407,245	\$ 77,374,430

TOWN OF FALMOUTH, MAINE
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General government	\$ 2,185,540	\$ 2,403,635	\$ 2,575,331	\$ 3,083,472	\$ 2,742,510	\$ 2,580,559	\$ 3,408,826	\$ 3,289,549	\$ 3,320,569	\$ 3,182,216
Financial management	935,323	843,644	805,940	923,110	1,015,760	1,080,745	943,712	952,802	1,057,419	1,060,159
Public safety	2,470,355	2,677,377	2,913,369	3,111,729	3,740,309	3,549,819	3,598,536	3,668,031	3,922,211	3,828,094
Parks & public works	3,346,234	3,729,775	3,992,590	4,924,194	4,352,382	4,505,857	3,929,553	4,219,050	3,298,303	3,270,196
Community development	488,251	471,006	435,608	482,270	552,935	579,745	545,659	1,047,470	1,035,617	619,971
Community programs	1,255,807	1,092,529	1,140,015	1,417,651	1,270,290	1,156,579	1,028,244	1,027,630	1,219,430	948,169
Education	22,118,515	23,158,460	25,686,458	26,510,116	27,096,801	27,137,788	26,776,233	27,994,675	31,919,090	29,224,616
Interest on long-term debt	1,046,319	972,942	898,018	834,510	930,580	852,764	771,046	607,485	1,617,393	1,659,562
Internal service fund	-	-	-	-	-	-	-	-	-	218,903
Total governmental activities expenses	33,846,344	35,349,368	38,447,327	41,287,052	41,701,567	41,443,856	41,001,809	42,806,692	47,390,032	44,011,886
Business-type activities:										
Wastewater treatment	1,179,753	1,276,757	1,396,656	1,565,623	1,843,118	1,905,319	1,966,602	1,928,995	1,950,836	1,991,986
Total business-type activities expenses	1,179,753	1,276,757	1,396,656	1,565,623	1,843,118	1,905,319	1,966,602	1,928,995	1,950,836	1,991,986
Total primary government expenses	\$ 35,026,097	\$ 36,626,125	\$ 39,843,983	\$ 42,852,675	\$ 43,544,685	\$ 43,349,175	\$ 42,968,411	\$ 44,735,687	\$ 49,340,868	\$ 46,003,872
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 187,581	\$ 259,206	\$ 289,523	\$ 340,121	\$ 297,705	\$ 298,462	\$ 201,119	\$ 189,795	\$ 219,992	\$ 234,962
Financial management	73,122	77,288	69,269	97,412	70,318	81,424	75,832	71,604	39,720	51,160
Public safety	233,163	282,030	381,021	398,477	390,416	453,270	522,406	669,934	707,946	747,310
Parks & public works	1,629,555	2,147,212	2,124,962	2,121,815	2,240,649	2,392,881	2,304,273	2,533,358	2,871,751	2,615,975
Community development	220,341	189,929	213,088	228,087	172,891	158,895	132,975	81,513	103,111	-
Community programs	776,905	588,232	635,127	749,874	658,946	617,505	585,783	4,007	3,066	508,819
Education	643,915	563,047	599,351	52,929	50,872	768,100	707,912	184,679	192,766	166,812
Internal service fund	-	-	-	-	-	-	-	-	-	238,896
Operating grants and activities	6,227,578	7,292,364	8,618,977	10,503,859	10,541,882	10,671,464	9,874,139	10,532,867	10,366,451	11,241,851
Capital grants and contributions	71,350	68,766	91,742	-	-	-	66,430	526,643	4,468,498	1,270,929
Total governmental activities program revenues	10,063,510	11,468,074	13,023,060	14,492,574	14,423,679	15,442,001	14,470,869	14,794,399	18,975,301	17,076,713

TOWN OF FALMOUTH, MAINE
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Business-type activities:										
Charges for services:										
Wastewater treatment	\$ 1,301,352	\$ 1,337,105	\$ 1,479,721	\$ 1,644,486	\$ 2,008,539	\$ 1,901,453	\$ 1,892,069	\$ 1,893,277	\$ 1,932,503	\$ 1,963,058
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	36,611	374,252	1,435,478	99,600	-	1,583,800	68,645	20,193	65,711
Total business-type activities program revenues	1,301,352	1,373,716	1,853,973	3,079,964	2,108,139	1,901,453	3,475,869	1,961,922	1,952,696	2,028,769
Total primary government program revenues	\$ 11,364,862	\$ 12,841,790	\$ 14,877,033	\$ 17,572,538	\$ 16,531,818	\$ 17,343,454	\$ 17,946,738	\$ 16,756,321	\$ 20,927,997	\$ 19,105,482
Net (expense)/revenue										
Governmental activities	\$ (23,782,834)	\$ (23,881,294)	\$ (25,424,267)	\$ (26,794,478)	\$ (27,277,888)	\$ (26,001,855)	\$ (26,530,940)	\$ (28,012,292)	\$ (28,414,731)	\$ (26,935,173)
Business-type activities	121,599	96,958	457,317	1,514,341	265,021	(3,866)	1,509,267	32,926	1,859	36,783
Total primary government net expense	\$ (23,661,235)	\$ (23,784,336)	\$ (24,966,950)	\$ (25,280,137)	\$ (27,012,867)	\$ (26,005,721)	\$ (25,021,673)	\$ (27,979,366)	\$ (28,412,872)	\$ (26,898,389)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 23,705,275	\$ 24,223,839	\$ 24,575,254	\$ 23,521,726	\$ 24,293,164	\$ 25,591,788	\$ 25,860,056	\$ 26,155,485	\$ 27,578,490	\$ 29,014,155
Excise taxes	2,228,129	2,341,440	2,387,763	2,382,454	2,399,624	2,293,503	2,317,152	2,364,465	2,384,488	2,650,054
Cable TV franchise fee	125,374	143,972	147,246	158,018	167,229	175,727	187,195	148,241	209,381	210,622
Unrestricted grants and contributions	911,256	957,114	991,094	957,750	904,046	821,891	694,461	646,733	674,047	672,593
Investment earnings	89,124	223,236	504,903	664,983	594,743	211,170	56,120	33,885	37,596	60,619
Miscellaneous	34,849	23,934	30,952	48,098	38,199	37,080	66,564	153,743	230,732	2,257,532
Total governmental activities	27,094,007	27,913,535	28,437,212	27,733,029	28,397,005	29,131,159	29,181,548	29,502,551	31,114,734	34,865,575
Business-type activities:										
Investment earnings	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Total business-type activities	-									
Total primary government	\$ 27,094,007	\$ 27,913,535	\$ 28,437,212	\$ 27,733,029	\$ 28,397,005	\$ 29,131,159	\$ 29,181,548	\$ 29,502,551	\$ 31,114,734	\$ 34,865,575
Change in Net Position										
Governmental activities	3,311,173	4,032,241	3,012,945	938,551	1,119,117	3,129,304	2,650,608	1,490,259	2,700,004	7,930,402
Business-type activities	121,599	96,958	457,317	1,514,341	265,021	(3,866)	1,509,267	32,926	1,859	36,783
Total primary government	\$ 3,432,772	\$ 4,129,199	\$ 3,470,262	\$ 2,452,892	\$ 1,384,138	\$ 3,125,438	\$ 4,159,875	\$ 1,523,185	\$ 2,701,863	\$ 7,967,185

TOWN OF FALMOUTH, MAINE
Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years
(accrual basis of accounting)
(dollar amounts expressed in thousands)

Fiscal Year	Property Tax	Excise Tax	Total
2004	\$ 23,705	\$ 2,228	25,933
2005	24,224	2,341	26,565
2006	25,343	2,388	27,731
2007	24,607	2,382	26,989
2008	25,406	2,400	27,806
2009	27,018	2,294	29,312
2010	27,303	2,317	29,620
2011	27,747	2,364	30,111
2012	29,198	2,384	31,582
2013	29,682	2,650	32,332

TOWN OF FALMOUTH, MAINE
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Restricted	\$ 74,805	\$ 5,085	\$ 70,203	\$ 58,707	\$ 65,100	\$ 64,073	\$ 56,735	\$ 592,712	\$ 577,865	\$ 27,710
Nonspendable	-	-	-	-	-	-	-	-	65,254	20,011
Committed	-	-	-	-	-	-	-	6,693,591	5,690,995	831,198
Assigned	-	-	-	-	-	-	-	225,108	128,097	87,335
Unassigned	-	-	-	-	-	-	-	11,320,374	11,514,542	13,266,470
Unreserved:										
Designated	5,303,044	6,965,532	7,011,807	7,875,562	7,730,226	7,702,412	8,275,624	-	-	-
Undesignated	8,399,199	9,644,631	10,835,557	10,319,158	10,012,721	9,892,643	10,172,493	-	-	-
Total general fund	\$ 13,777,048	\$ 16,615,248	\$ 17,917,567	\$ 18,253,427	\$ 17,808,047	\$ 17,659,128	\$ 18,504,852	\$ 18,831,784	\$ 17,976,753	\$ 14,232,723
All Other Governmental Funds (GASB54 breakout commencing FYE 2011)										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,462,258	\$ 6,933,139	\$ 6,224,010
Nonspendable	-	-	-	-	-	-	-	10,301	18,752	18,752
Committed	-	-	-	-	-	-	-	-	-	4,844,418
Assigned	-	-	-	-	-	-	-	568,048	603,322	1,027,392
Unassigned	-	-	-	-	-	-	-	(1,496)	-	(94,834)
Reserved	17,455	17,483	17,531	17,560	17,579	19,888	19,898	-	-	-
Unreserved, reported in:										
Capital Projects Funds	142,377	-	-	3,774,753	-	(1,675,410)	(14,026,231)	-	-	-
Special revenue funds	1,565,064	2,422,485	2,740,006	2,323,684	2,804,738	2,782,742	3,698,774	-	-	-
Total all other governmental funds	\$ 1,724,896	\$ 2,439,968	\$ 2,757,537	\$ 6,115,997	\$ 2,822,317	\$ 1,127,220	\$ (10,307,559)	\$ 11,039,110	\$ 7,555,213	\$ 12,019,737

TOWN OF FALMOUTH, MAINE
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues:										
Taxes	\$ 26,765,544	\$ 27,817,627	\$ 27,730,974	\$ 26,989,761	\$ 27,805,682	\$ 29,311,937	\$ 29,620,325	\$ 30,111,392	\$ 31,469,323	\$ 33,704,800
Licenses, fees and permits	443,146	430,681	456,712	433,534	388,645	407,368	403,230	366,628	412,617	490,400
Intergovernmental	7,821,848	8,460,791	10,248,966	11,458,090	11,348,643	12,166,850	11,252,927	11,372,188	11,133,290	12,141,113
Charges for services	1,404,772	798,153	446,850	507,521	528,255	552,968	521,217	664,288	732,685	724,432
Fines and forfeitures	35,466	24,802	24,687	41,509	44,538	51,634	49,232	73,565	42,193	56,568
Interest	139,841	339,396	787,593	1,053,422	949,462	327,630	135,694	105,260	43,010	60,619
Miscellaneous	184,533	1,383,242	1,353,883	1,451,125	1,233,109	1,257,594	1,376,194	1,675,396	1,788,185	2,192,289
Total revenues	36,795,150	39,254,692	41,049,665	41,934,962	42,298,334	44,075,981	43,358,819	44,368,618	45,621,303	49,370,220
Expenditures:										
General government	673,435	729,860	879,552	849,636	771,415	823,859	1,045,930	1,038,658	1,061,434	1,032,042
Financial management	763,730	760,536	722,924	866,153	1,015,760	1,045,976	824,418	870,631	898,317	1,060,159
Public safety	2,278,163	2,434,460	2,582,759	2,737,127	2,823,757	2,829,745	2,846,123	3,079,808	3,198,606	3,292,596
Parks and public works	1,529,894	1,633,312	1,735,772	1,830,622	2,182,049	1,857,416	1,727,841	1,909,968	1,818,647	2,293,304
Community development	446,446	465,136	1,042,116	479,608	546,948	660,259	620,288	610,355	604,505	619,971
Community programs	1,124,462	965,537	389,486	1,141,772	1,147,242	1,130,563	1,005,737	1,070,767	1,098,737	927,687
Education	21,555,049	22,754,893	24,953,185	25,922,321	26,162,517	28,590,190	39,875,382	27,440,999	28,100,902	28,494,449
Non-departmental	600,025	673,692	626,266	712,101	822,931	834,067	865,324	983,639	975,792	736,554
County tax	988,092	1,023,235	971,587	992,860	1,051,052	1,141,698	1,134,475	1,153,336	1,181,421	1,208,849
Reserves	669,316	946,407	1,115,041	2,114,974	1,569,469	(1,613,503)	(12,029,076)	20,610,734	2,301,946	-
Capital Improvements	2,117,259	1,152,047	1,808,637	1,887,067	5,427,253	6,246,849	14,642,338	-	5,827,908	7,689,360
Debt service:										
Principal	1,548,500	1,548,500	1,438,500	1,388,500	1,583,500	1,583,500	1,288,500	1,288,500	1,288,500	3,140,000
Interest	1,051,970	977,308	903,228	837,901	933,502	855,217	870,874	609,000	1,603,518	1,554,806
Total expenditures	35,346,341	36,064,923	39,169,053	41,760,642	46,037,395	45,985,836	54,718,154	60,666,396	49,960,233	52,049,777
Excess (deficiency) of revenues over (under) expenditure	1,448,809	3,189,769	1,880,612	174,320	(3,739,061)	(1,909,855)	(11,359,335)	(16,297,778)	(4,338,930)	(2,679,557)
Other financing sources (uses)										
Transfers in	119,918	142,377	-	-	21,889	285,000	-	-	-	13,837,646
Transfers out	(119,918)	(142,377)	(374,252)	(380,000)	(21,889)	(285,000)	-	-	-	(13,837,646)
Bonds issued	-	-	-	3,900,000	-	-	-	47,050,000	-	-
Payment to bond refunding agent	-	-	-	-	-	-	-	(9,315,000)	-	-
BAN/ bond premiums	-	-	-	-	-	65,840	770,280	236,378	-	-
Sale of general capital assets	-	-	-	-	-	-	-	-	-	3,332,054
Capital leases	-	118,764	113,528	-	-	-	-	-	-	-
Total other financing sources (uses)	-	118,764	(260,724)	3,520,000	-	65,840	770,280	37,971,378	-	3,332,054
Net change in fund balances	\$ 1,448,809	\$ 3,308,533	\$ 1,619,888	\$ 3,694,320	\$ (3,739,061)	\$ (1,844,015)	\$ (10,589,055)	\$ 21,673,600	\$ (4,338,930)	\$ 652,496
Debt service as a percentage of noncapital expenditures	7.8%	7.2%	6.3%	5.6%	6.2%	6.1%	5.4%	3.1%	6.8%	10.8%

TOWN OF FALMOUTH, MAINE
General Governmental Tax Revenues by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
(dollar amounts expressed in thousands)

Fiscal Year	Real estate	Personal property	Excise tax	Total
2004	\$ 24,099	\$ 499	\$ 2,228	\$ 26,766
2005	24,865	611	2,341	27,817
2006	24,798	545	2,388	27,731
2007	24,095	512	2,382	26,989
2008	24,803	604	2,399	27,806
2009	26,534	484	2,294	29,312
2010	26,839	464	2,317	29,620
2011	27,041	427	2,364	29,832
2012	27,041	424	2,384	29,850
2013	28,502	434	2,650	31,586

TOWN OF FALMOUTH, MAINE
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(in thousands of dollars)

Fiscal Year Ended June 30	Real Property		Personal Property	Less: Tax Exempt Real Property	Total Taxable Assessed Value (1)	Total Direct Tax Rate (1)	Estimated Actual Taxable Value (2)	Assessed Value as a Percentage of Actual Value
	Commercial Property	Residential Property (1)						
2003	\$ 152,968	\$ 1,007,805	\$ 28,846	\$ 54,470	\$ 1,135,149	20.45	\$ 1,453,200	78.1%
2004	163,391	1,424,596	31,753	63,149	1,556,591 (1)	15.80 (1)	1,556,900	100.0%
2005	202,697	1,468,281	39,790	67,487	1,643,281	15.46	1,766,750	93.0%
2006	207,286	1,481,572	35,536	66,104	1,658,290	15.36	1,972,000	84.1%
2007	209,298	1,528,550	36,015	68,048	1,705,815	14.40	2,195,200	77.7%
2008	213,570	1,566,180	41,555	68,532	1,752,773	14.60	2,143,400	81.8%
2009	274,904	1,959,084	39,608	77,897	2,195,699 (1)	12.35 (1)	2,171,450	101.1%
2010	333,193	1,923,147	41,407	78,341	2,219,406	12.35	2,131,400	104.1%
2011	332,559	1,931,630	35,325	77,053	2,240,376	12.35	2,071,900	108.1%
2012	334,324	1,953,295	33,580	77,448	2,261,304	12.92	2,097,800	107.8%
2013	361,500	1,951,475	34,031	78,383	2,268,623	13.43	2,091,550	108.5%

SOURCE: Falmouth Assessor's office.

(1) Reflects property revaluations to approximately 100% of market value in 2004 and 2009.

(2) Estimated actual valuation amounts are the state equalized values published by Maine Revenue Services.

Table 5A

TOWN OF FALMOUTH, MAINE
Direct and Overlapping Property Tax Rates
Last Nine Fiscal Years

Fiscal Year	Town Rate	Education Rate	Overlapping Rate County Government	Total Tax Rate
2005	3.63	11.18	0.65	15.46
2006	3.53	11.22	0.61	15.36
2007	3.18	10.62	0.61	14.41
2008	2.53	8.79	0.51	11.83
2009	2.95	8.85	0.55	12.35
2010	3.00	8.81	0.54	12.35
2011	3.04	8.77	0.54	12.35
2012	3.01	9.36	0.55	12.92
2013	3.01	9.86	0.56	13.43

TOWN OF FALMOUTH, MAINE
Principal Property Taxpayers
Current Year and Nine Years Ago
(amounts expressed in thousands)

<u>Taxpayer</u>	2013			2004		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Ocean View Retirement LLC	\$ 37,836	1	1.67%	\$ 16,116	1	1.04%
Falmouth Realty Associates	23,188	2	1.03%	13,296	3	0.85%
West Falmouth Development LLC	21,082	3	0.93%			
Princeton Falmouth LLC	16,016	4	0.71%			
Falmouth Plaza LLC	11,846	6	0.52%	8,141	6	0.52%
Portland Country Club	11,019	7	0.49%	7,082	8	0.45%
Central Maine Power Co.	12,123	5	0.54%	6,233	10	0.40%
Falmouth Ventures LLC	9,246	8	0.41%	6,258	9	0.40%
Hannaford Bros. Inc.	7,841	10	0.35%	7,537	7	0.48%
The Woodlands Club	8,540	9	0.38%			
Dead River Properties	-	-	0.00%	15,718	2	1.01%
John S. Marr	-	-	0.00%	8,653	5	0.56%
Forside Housing	-	-	0.00%	9,028	4	0.58%
Totals	\$ 158,737		7.02%	\$ 98,062		6.29%

TOWN OF FALMOUTH, MAINE
Property Tax Levies and Collections
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	\$ 22,885	22,535	\$ 98.5%	350	\$ 22,885	100.0%
2004	24,369	23,987	98.4%	379	24,369	100.0%
2005	25,257	24,884	98.5%	373	25,257	100.0%
2006	25,208	24,726	98.1%	482	25,208	100.0%
2007	24,347	23,883	98.1%	462	24,345	100.0%
2008	25,298	24,739	97.8%	555	25,294	100.0%
2009	27,078	26,454	97.7%	617	27,071	100.0%
2010	27,369	26,699	97.6%	654	27,353	99.9%
2011	27,618	26,969	97.7%	628	27,597	99.9%
2012	29,218	28,330	97.0%	741	29,071	99.5%
2013	30,468	29,652	97.3%	-	29,652	97.3%

TOWN OF FALMOUTH, MAINE
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
 (amounts expressed in thousands, except per capita amount)

Fiscal Year	Governmental Activities			Business-type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Notes Payable	Capital Leases	General Obligation Bonds	Wastewater Revenue Bonds			
2004	\$ 20,473	\$ -	\$ -	\$ 40	\$ -	\$ 20,513	5.3%	1,942
2005	18,925	-	119	-	-	19,044	4.9%	1,803
2006	17,486	-	180	-	-	17,666	4.6%	1,673
2007	19,998	-	127	-	6,480	26,605	6.8%	2,520
2008	18,414	-	76	-	6,156	24,646	6.2%	2,314
2009	16,831	8,000	23	-	5,832	30,686	7.7%	2,852
2010	15,542	28,175	-	-	5,508	49,225	12.0%	4,548
2011	51,989	150	-	-	5,184	57,323	14.0%	5,125
2012	50,700	100	-	-	4,860	55,660	10.4%	4,976
2013	47,560	-	-	-	4,536	52,096	9.8%	4,658

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

Table 9

TOWN OF FALMOUTH, MAINE
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)

Fiscal Year	General Obligation Bonds	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2004	\$ 20,473	1.31%	1,938
2005	18,925	1.07%	1,792
2006	17,486	0.89%	1,656
2007	19,998	0.91%	1,877
2008	18,414	0.86%	1,711
2009	16,831	0.78%	1,555
2010	15,542	0.73%	1,390
2011	51,989	2.51%	4,648
2012	50,700	2.42%	4,533
2013	47,560	2.27%	4,252

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

TOWN OF FALMOUTH, MAINE
Direct and Overlapping Governmental Activities Debt
As of June 30, 2013
(amounts expressed in thousands)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping debt:			
Cumberland County	\$ 36,925	5.42%	2,002
Portland Water District	31,085	8.27%	2,571
Subtotal, overlapping debt	\$ 68,010		4,573
Town of Falmouth direct debt	\$ 47,560	100.00%	47,560
Total direct and overlapping debt	\$ 115,570		\$ 52,133

Overlapping debt

The Town is subject to an annual assessment of its proportional share of Cumberland County expenses, including debt repayment, as determined by the percentage of the Town's State valuation to the County's State valuation.

At June 30, 2013, the Town's State valuation for comparison to the County of \$2,097,800 was 5.42% of the County's State valuation of \$38,690,850. The Town's share is 5.42% or \$2,002,056 of Cumberland County's \$36,925,000 long-term debt outstanding as of June 30, 2013.

The Town is also served by the Portland Water District. At June 30, 2013, the Town's share of self-supporting bonded water debt is 8.27% or \$2,571,444 of the total debt of \$31,085,441.

TOWN OF FALMOUTH, MAINE
Legal Debt Margin Information
Last Ten Fiscal Years
(amounts expressed in thousands)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Assessed value per State	\$ 1,556,900	\$ 1,766,750	\$ 1,972,000	\$ 2,195,200	\$ 2,143,400	\$ 2,171,450	\$ 2,131,400	\$ 2,071,900	\$ 2,097,800	\$ 2,091,550
Total debt limit - all purposes - 15% of assessed value	\$ 233,535	\$ 265,013	\$ 295,800	\$ 329,280	\$ 321,510	\$ 325,718	\$ 319,710	\$ 310,785	\$ 314,670	\$ 313,733
Less outstanding debt applicable to debt limit	20,513	18,925	17,486	26,478	24,570	22,663	21,050	57,173	55,560	52,096
Legal debt margin	\$ 213,022	\$ 246,088	\$ 278,314	\$ 302,802	\$ 296,940	\$ 303,055	\$ 298,660	\$ 253,612	\$ 259,110	\$ 261,637
Total outstanding debt applicable to the limit as a percentage of debt limit	8.78%	7.14%	5.91%	8.04%	7.64%	6.96%	6.58%	18.40%	17.66%	16.61%
The debt limit is restricted by State statute based on the assessed value per the State above and the percentages below.										
Municipal purposes - 7.5%										
Debt limit	\$ 116,768	\$ 132,506	\$ 147,900	\$ 164,640	\$ 160,755	\$ 162,859	\$ 159,855	\$ 155,393	\$ 157,335	\$ 156,866
Less outstanding debt applicable to debt limit	1,658	1,320	981	4,400	3,950	3,500	3,300	3,100	2,900	2,700
Debt margin for municipal purposes	\$ 115,110	\$ 131,186	\$ 146,919	\$ 160,240	\$ 156,805	\$ 159,359	\$ 156,555	\$ 152,293	\$ 154,435	\$ 154,166
Outstanding debt applicable to the limit as a percentage of debt limit for municipal purposes	1.42%	1.00%	0.66%	2.67%	2.46%	2.15%	2.06%	1.99%	1.84%	1.72%
School purposes - 10%										
Debt limit	\$ 155,690	\$ 176,675	\$ 197,200	\$ 219,520	\$ 214,340	\$ 217,145	\$ 213,140	\$ 207,190	\$ 209,780	\$ 209,155
Less outstanding debt applicable to debt limit	18,815	17,605	16,505	15,405	14,310	13,215	12,165	48,850	47,800	44,860
Debt margin for school purposes	\$ 136,875	\$ 159,070	\$ 180,695	\$ 204,115	\$ 200,030	\$ 203,930	\$ 200,975	\$ 158,340	\$ 161,980	\$ 164,295
Outstanding debt applicable to the limit as a percentage of debt limit for school purposes	12.08%	9.96%	8.37%	7.02%	6.68%	6.09%	5.71%	23.58%	22.79%	21.45%
Storm and sanitary sewer purposes - 7.5%										
Debt limit	\$ 116,768	\$ 132,506	\$ 147,900	\$ 164,640	\$ 160,755	\$ 162,859	\$ 159,855	\$ 155,393	\$ 157,335	\$ 156,866
Less outstanding debt applicable to debt limit	40	-	-	6,673	6,310	5,948	5,585	5,223	4,860	4,536
Debt margin for sewer purposes	\$ 116,728	\$ 132,506	\$ 147,900	\$ 157,967	\$ 154,445	\$ 156,911	\$ 154,270	\$ 150,170	\$ 152,475	\$ 152,330
Outstanding debt applicable to the limit as a percentage of debt limit for sewer purposes	0.03%	0.00%	0.00%	4.05%	3.93%	3.65%	3.49%	3.36%	3.09%	2.89%
Maximum total debt limit - 15%	\$ 233,535	\$ 265,013	\$ 295,800	\$ 329,280	\$ 321,510	\$ 325,718	\$ 319,710	\$ 310,785	\$ 314,670	\$ 313,733

Table 12

TOWN OF FALMOUTH, MAINE
Demographic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (000's)	Per Capita Income (1)	Median Age (1)	Years of Formal Schooling (1)	School Enrollment (2)	Unemployment Rate (3)
2003	10,565	\$ 387,905	\$ 36,716	40.7	13.4	2,117	3.7%
2004	10,563	387,831	36,716	40.7	13.4	2,181	3.4%
2005	10,561	387,758	36,716	40.7	13.4	2,148	3.6%
2006	10,556	387,574	36,716	40.7	13.4	2,153	3.5%
2007	10,653	391,136	36,716	40.7	13.4	2,145	3.5%
2008	10,761	395,101	36,716	40.7	13.4	2,153	4.0%
2009	10,823	397,377	36,716	40.7	13.4	2,131	6.8%
2010	11,185	410,668	36,716	40.7	13.4	2,133	6.5%
2011	11,185	410,668	36,716	40.7	13.4	2,099	5.3%
2012	11,185	533,435	47,692	45.3	13.4	2,150	4.9%
2013	11,185	533,435	47,692	45.3	13.4	2,140	4.7%

Sources:

(1) U.S. Bureau of Census. 2010 latest available population, per capita income and median age figures.

(2) Maine Department of Education

(3) Maine Department of Labor.

TOWN OF FALMOUTH, MAINE
Principal Employers
Current Year and Nine Years Ago

<u>Employer</u>	2013			2004		
	<u>Employees</u>	<u>Rank</u>	<u>Estimated Percentage of Total Town Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Estimated Percentage of Total Town Employment</u>
TD Banknorth	444	1	9.02%	-	-	-
Town of Falmouth	399	2	8.11%	380	1	11.13%
Hannaford Bros.	200	3	4.06%	-	-	-
Tyler Technologies	188	4	3.81%	105	4	3.08%
Sedgewood Commons	150	5	3.05%	130	2	3.81%
Shaw's Supermarket	150	6	3.05%	125	3	3.66%
Falmouth-by-the-Sea	118	7	2.40%	80	6	2.34%
Skillin's Greenhouses	107	8	2.17%	37	9	1.08%
The Woodlands Club	102	9	2.07%	-	-	-
Ocean View Assisted Living	77	10	1.56%	-	-	-
Governor Baxter School for the Deaf	-	-	-	86	5	2.52%
Northern Data Systems Inc.	-	-	-	50	8	1.46%
Peerless Insurance Co.	-	-	-	55	7	1.61%
Gemini Systems Inc.	-	-	-	23	10	0.67%
Totals	1,935		43.92%	1,071		31.36%

SOURCE: Falmouth official statements-2007 bond issue, 1999 bond issue; U.S. Bureau of the Census
 Estimated based on closest approximate year with information

Table 14

TOWN OF FALMOUTH, MAINE
Full-time Equivalent Regular Town Employees by Function (1)
for the Last Five Fiscal Years

	2009	2010	2011	2012	2013
General Government	23	23	23	23	23
Public Safety					
Police:					
Officers (including harbormaster)	16	16	17	18	18
Civilians	6	8	8	8	8
Fire/EMS Protection:					
Officers	2	2	2	1	1
Administrative	1	1	1	1	1
Parks and Public Works					
Public Works	11	10	11	12	14
Solid Waste	2	2	2	1	1
Vehicle maintenance	4	3	3	3	3
Community Programs and Parks					
Community Programs	4	4	4	5	5
Parks	3	2	2	2	2
Education:					
Instructional	182	178	183	181	181
Other	172	152	142	137	139
Wastewater Treatment	7	7	7	7	7
Total	433	408	405	399	403

Source: Town payroll office, School Department; records not compiled in this format before 2008.

(1) Includes only "regular" Town employees, excludes non-regular seasonal and "on-call" employees.

Table 15

TOWN OF FALMOUTH, MAINE
Selected Operating Indicators and Capital Asset Statistics by Function
for the Last Five Fiscal Years

	1718				
Date of incorporation	Council/Manager				
Form of government	32				
Area in square miles					
	2009	2010	2011	2012	2013
General government:					
Number of motor vehicle registrations	11,124	11,342	11,273	11,933	12,802
Number of building permits issued	194	235	223	227	232
Number of real estate parcels	5,204	5,228	5,238	5,251	5,259
Public safety					
Police:					
Number of stations	1	1	1	1	1
Number of patrol units	9	9	9	9	11
Number of requests for service	16,245	24,630 (1)	22,823	21,959	18,383
Number of law violations:					
Physical arrests	184	114	101	108	130
Traffic violations	3,989	3,984	4,422	4,008	3,588
Parking violations	240	286	131	93	472
Number of street lights	614	614	612	612	610
Number of harbor moorings	1,221	1,114	1,114	1,109	1,104
Fire/EMS Protection:					
Number of stations	4	4	3	3	3
Number of fire apparatus	12	12	10	10	9
Number of Fire Dept. requests for service	551	576	539	615	582
Number of ambulances	2	2	3	3	3
Number of EMS requests for service	907	941	1,039	1,022	967
Public works:					
Miles of streets	75	75	76	76	76
Traffic signals	13	13	13	12	12
Number of vehicles and rolling equipment	54	54	56	56	42
Community Programs & Parks:					
Number of recreational and adult education programs	450	460	456	514	470
Number of program participants	7,318	7,618	6,800	6,800	7,800
Parks and open space areas	50	50	50	50	50
Park acreage	119	119	119	119	119
Skating rinks	2	2	2	2	2
Tennis courts	9	9	9	9	9
Education:					
Number of elementary schools	3	3	3	2	2
Number of elementary school students	1,456	1,431	1,405	1,423	1,405
Number of secondary schools	1	1	1	1	1
Number of secondary school students	675	702	694	727	735
Number of school buses, vans and rolling equipment	39	42	42	42	42
Wastewater Treatment:					
Miles of sanitary sewers	55	55	55	55	56
Number of treatment plants	1	1	1	1	1
Number of maintenance vehicles	6	6	6	4	4
Number of service connections	2,174	2,174	2,249	2,273	2,300
Daily average treatment in gallons	1,027,000	1,027,000	952,000	971,000	907,000
Maximum daily licensed capacity in gallons	1,500,000	1,500,000	1,560,000	1,560,000	1,560,000

Sources: Falmouth Annual Town Report, Town department records;
(records not compiled in this format before 2008)

(1) Increase in Police calls for service reflects new method for logging and recording calls, as well as addition of regional dispatching responsibilities in 2010.

(2) Prior to 2013 Parks was combined with Public Works

SINGLE AUDIT SECTION

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Town Council
Town of Falmouth, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Falmouth, Maine as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Falmouth, Maine's basic financial statements and have issued our report thereon dated December 9, 2013.

Internal Control Over Financial Reporting

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

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

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*, CONTINUED

Compliance and Other Matters

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

Purpose of This Report

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



December 9, 2013
South Portland, Maine

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Town Council
Town of Falmouth, Maine

Report on Compliance for Each Major Federal Program

We have audited the Town of Falmouth, Maine's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Falmouth, Maine's major federal programs for the year ended June 30, 2013. The Town of Falmouth, Maine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Falmouth, Maine's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Falmouth, Maine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Town of Falmouth, Maine's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Falmouth, Maine, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133, CONTINUED

Report on Internal Control Over Compliance

Management of the Town of Falmouth, Maine is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Falmouth, Maine's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Falmouth, Maine's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Falmouth, Maine, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Falmouth, Maine's basic financial statements. We issued our report thereon dated December 9, 2013, which contained unmodified opinions on those financial statements.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133, CONTINUED

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



December 9, 2013
South Portland, Maine

TOWN OF FALMOUTH, MAINE
Schedule of Expenditures of Federal Awards
Year ended June 30, 2013

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA number	Pass- through number	ARRA	Program or award amount	Balance at June 30, 2012	Federal revenue recognized	Other revenue	Federal expenditures recognized	Other expenditures	Balance at June 30, 2013
U. S. Department of Education,										
Passed through Maine Department of Education:										
Title IA - Disadvantaged	84.010	3107		\$ 41,521	-	41,521	-	41,521	-	-
Special Education - Grants to States	84.027	3046		403,965	13,896	403,965	-	417,870	-	(9)
IDEA - Preschool	84.173	6241		6,420	-	6,420	-	6,420	-	-
Title IIA	84.367	3042		32,056	8,736	32,056	-	40,792	-	-
Education Jobs Fund	84.410	3099	Y	63,974	(10,584)	10,584	-	-	-	-
Total U. S. Department of Education					12,048	494,546	-	506,603	-	(9)
U. S. Department of Agriculture,										
Passed through Maine Department of Education:										
National School Lunch Program	10.555	013-7128-05		N/A	158,140	39,325	562,062	39,325	629,516	90,686
Breakfast Program	10.553	013-6134-05		N/A	-	3,853	-	3,853	-	-
Food Donation Program	10.555	013-6134-05		N/A	-	20,264	-	20,264	-	-
Passed through Maine Department of Conservation:										
Wildlife Fire Management	10.688		Y	500,000	-	500,000	-	500,000	-	-
Total U. S. Department of Agriculture					158,140	563,442	562,062	563,442	629,516	90,686
U.S. Department of Commerce,										
Passed through Maine Department of Agriculture, Conservation, and Forestry										
Coastal Zone Management Administration Awards	11.419			50,000	-	50,000	-	17,490	-	32,510
Total U. S. Department of Commerce					-	50,000	-	17,490	-	32,510
Total federal awards					\$ 170,188	1,107,988	562,062	1,087,535	629,516	123,187

See accompanying notes to schedule of expenditures of federal awards.

TOWN OF FALMOUTH, MAINE
Notes to Schedule of Expenditures of Federal Awards
June 30, 2013

PURPOSE OF THE SCHEDULE

Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-profit Organizations, requires a Schedule of Expenditures of Federal Awards showing total expenditures for each federal award program as identified in the Catalog of Federal Domestic Assistance (CFDA).

SIGNIFICANT ACCOUNTING POLICIES

- A. Reporting Entity - The accompanying schedule includes all federal award programs of the Town of Falmouth, Maine for the fiscal year ended June 30, 2013. The reporting entity is defined in Notes to Basic Financial Statements of the Town of Falmouth, Maine.
- B. Basis of Presentation - The information in the accompanying Schedule of Expenditures of Federal Awards is presented in accordance with OMB Circular A-133.
 - 1. Pursuant to OMB Circular A-133, federal awards are defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations.
 - 2. Major Programs - OMB Circular A-133 establishes the level of expenditures or expenses to be used in defining major federal award programs. Major programs for the Town of Falmouth, Maine are identified in the summary of auditor's results in the schedule of findings and questioned costs.
- C. Basis of Accounting - The information presented in the Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting, which is consistent with the reporting in the Town's fund financial statements.

TOWN OF FALMOUTH, MAINE
Schedule of Findings and Questioned Costs
June 30, 2013

Section I - Summary of Auditor's Results

Basic financial statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards

Internal Control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.688	Wildlife Fire Management
84.027	Local Entitlement

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	yes

TOWN OF FALMOUTH, MAINE
Schedule of Findings and Questioned Costs, Continued

Section II - Findings Required to be Reported Under *Government Auditing Standards*

NONE

TOWN OF FALMOUTH, MAINE
Schedule of Findings and Questioned Costs, Continued

Section III - Findings and Questioned Costs for Federal Awards

NONE

TOWN OF FALMOUTH, MAINE
Schedule of Findings and Questioned Costs, Continued

Section IV - Status of Prior Year Findings and Questioned Costs

NONE

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