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TOWN OF FALMOUTH, MAINE
Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2017

Prepared by:

Peter McHugh
Finance Director

TOWN OF FALMOUTH, MAINE
Comprehensive Annual Financial Report
For the year ended June 30, 2017

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INTRODUCTORY SECTION

TOWN OF FALMOUTH, MAINE

December 12, 2017

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, 2017.

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, 2017. 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.

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 approximately 11,587 persons (Census estimate for July 1, 2016). 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 to three-year staggered terms. All Council members are elected at large.

The Town of Falmouth provides a full range of services, including police, emergency medical services 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.

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www.town.falmouth.me.us

The annual budget serves as the foundation for the Town of Falmouth's financial planning and control. Each fall, 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 multiple reviews in the months of January through 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 Vehicle Maintenance 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 34 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 increased again during the late 1990's. The Town had another period of rapid tax base growth in the early 2000's (averaged 7.8% per year) and performed a re-valuation in 2009.

Since 2009, the Town experienced moderate growth of slightly over 1%, as Tax Increment Financing (TIF) districts saw much of the growth. TIF valuations grew an average of 4.5% per year (increasing from 5.6% of the Town's total valuation to over 7% in 2016). From 2016 to 2017, the Town's taxable base grew by 0.86% while TIF district values grew by 4.9%. The Town's current-year property tax collection rate remained at a very healthy 97.5% collected by August 31, 2017.

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. There were 82 building permits for new construction issued this year, including 78 permits for new single-family residential housing and 4 permits for new commercial buildings.

Additionally, relative to many other municipalities, the Town has an extremely diversified tax base, with its largest taxpayer comprising only 2.51% of its total tax base, and its top ten taxpayers combined representing only 8.46% 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 in the Town include a large national 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 and restaurants, as well as several large retail and supermarket outlets. According to the latest available census figures, an approximate-total of 6,362 workers are employed in Falmouth. The Town also serves as a regional employment center, with over 63% of its total workforce residing in surrounding communities.

Long-range Planning

To prepare for the future, the Town identifies infrastructure and capital projects that are needed to meet the demand for services, while continuing to meet the rising fixed costs necessary to deliver services and programs to support the function of all operations. Among these capital investments and programs are road construction,

housing and open space planning, recreational activities, equipment purchases, and building construction and renovations. These initiatives were accomplished in accordance with the Town's comprehensive planning document and its ten-year Capital Improvement Plan, which is reviewed and updated annually by the Town Council.

The 2017-18 capital plan calls for a continuation of road and sidewalk improvements, Middle Road paving and drainage, repaving of Pleasant Hill Road and Woodville Road, drainage system repairs, replacement of the Harbor float system, gangways and pier, Legion field drainage improvements, various Community Center building projects including roof and flooring replacement, replacement of the Town VOIP phone system, replacement of Town building lighting with more energy efficient LED lighting, and open space acquisitions.

This year's 2017-18 multi-year equipment replacement plan also calls for the purchase of two light plow and maintenance trucks and a roadside mower for Public Works, three new cruisers for the Police Department, a new tower truck and ambulance for the Fire Department, a storage shed for Parks & Community Programs and continued upgrades to the Town's computer network and security 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 2016-17, the Town made progress on a number of long range planning initiatives including the following:

1. Continued focus on the overall needs of senior citizens and what role the Town should have with offering and/or facilitating the delivery of services and assistance to senior citizens.
2. Proceeded with final design and cost estimates for the voter approved implementation of the Route 100 Infrastructure project scheduled to begin in 2019.
3. Completed the amendment of land use ordinances to ensure growth is encouraged in areas targeted for growth and continue to maintain slow growth in rural areas.
4. Started implementation of a new prioritized bicycle and pedestrian infrastructure plan.
5. Began work on the upgrade of the Town's pump station and force main at Mill Creek which serves a significant portion of Falmouth and the Town of Cumberland.
6. Planned for the continued expansion of natural gas lines throughout the community.
7. Developed master plan scenarios for a portion of the Route One North district with recommended improvements including intersection and roadway improvements, as well as pedestrian and bicycle amenities.
8. Continued marketing for the Route One South Corridor where the recently completed infrastructure improvement project has spurred development growth.

In 2017-18, the Town will continue to work on long-range planning initiatives which are included in the Comprehensive Plan. These initiatives include the following:

1. Prioritize capital improvements to ensure adequate supporting infrastructure is available to accommodate growth in growth areas.
2. Complete work on the upgrade of the Town's pump station and force main at Mill Creek.
3. Complete a 20-year sewer master plan to ensure the system can accommodate growth and maintain service levels.
4. Conduct construction bidding for the Route 100 Infrastructure project.
5. Develop a multi-modal transportation plan for Route One corridor with the Towns of Cumberland, Yarmouth, and Freeport.
6. Continue implementation of the Town's highly successful 2006 Open Space Plan and update this 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

In addition to significant long range planning initiatives, there are other major projects or initiatives, which will have a significant impact on the future of the Town. Some of these initiatives include but are not limited to:

1. Reconstruction and expansion of the Memorial Library.
2. Planning for the Town’s 300th Anniversary.

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, 2016. This was the 25th 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 one year. 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 dedicated service 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 unflinching support for maintaining the highest standards of professionalism in the management of the Town’s finances.

Sincerely,

Nathan A. Poore

Nathan A. Poore
Town Manager

Peter M. McHugh

Peter M. McHugh
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

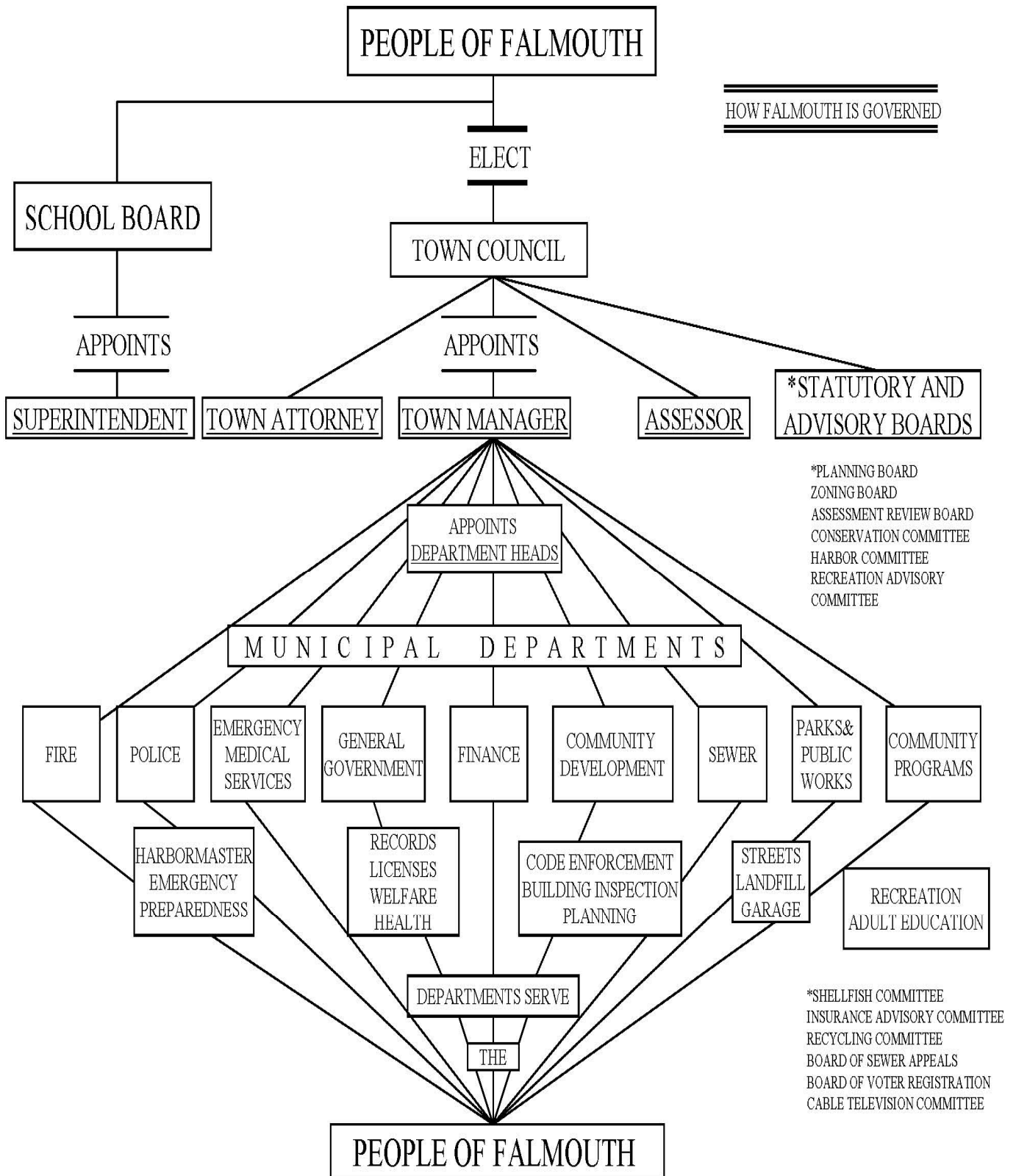
Presented to

**Town of Falmouth
Maine**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO



TOWN OF FALMOUTH, MAINE
List of Principal Officials
June 30, 2017

<u>Title</u>	<u>Name</u>
Council member	Caleb Hemphill, Chair
Council member	Ned Kitchel, Vice Chair
Council member	Claudia King
Council member	Karen Farber
Council member	Andrew Jones
Council member	Aaron Svedlow
Council member	Andrea Ferrante
Town Manager	Nathan Poore
Assessor	Renee Lachapelle
Code Enforcement Officer	Justin Brown
Community Programs Director	Alexis D'Ascanio
Community Development Director	Amanda Stearns
Economic Development Director	Theo Holtwijk
Finance Director	Peter McHugh
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	Robert Clark
School Board member	Danielle Tracy, Chair
School Board member	Caryn Bickerstaff, Vice Chair
School Board member	Dee Conroy-Vella
School Board member	Jen Libby
School Board member	Cindy Han
School Board member	Julie Fraser
School Board member	Julia Lucas

FINANCIAL SECTION

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, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Falmouth, Maine, as of June 30, 2017, 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, schedule of Town's proportionate share of the net pension liability, schedule of Town contributions, and the schedule of funding progress for the retiree healthcare plan 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 schedules, and 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 schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Town Council
Town of Falmouth, Maine

The introductory and statistical sections 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 12, 2017 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 12, 2017
South Portland, Maine

TOWN OF FALMOUTH, MAINE
Management's Discussion and Analysis
June 30, 2017

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 2017. 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 and deferred outflows of resources of the Town of Falmouth exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$93,795,324 (*net position*). Of this amount, \$15,949,966 (*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 \$7,026,083.
- As of the close of the current fiscal year, the Town of Falmouth's governmental funds reported combined ending fund balances of \$24,973,494, a decrease of \$363,856 in comparison with the prior year. This is detailed as follows:
 - The general fund increased \$186,724. This was due to favorable operations of \$1,749,685 offset by current year net transfers (\$1,562,961) to other funds.
 - The capital projects fund decreased \$739,234. This was due to current year transfers in from other funds equaling \$1,417,935 offset by net capital spending of \$2,157,169.
 - Other governmental funds including special revenue funds and the TIF Districts, increased \$188,654. Revenues of \$5,874,201, consisting mostly of property taxes for the TIFs (\$2,518,263), miscellaneous revenues (\$178,232), charges for services (\$2,531,996) and intergovernmental revenues (\$645,702). Expenditures of \$5,830,573 consisting mostly of school related expenditures (\$2,041,400), Community Programs and Parks expenditures (\$830,974), Debt Service (\$796,813), and Community Development expenditures (\$1,282,997). The balance (\$878,389) is made up of expenditures in other departments such as Public Safety, General Government, and Capital Improvements. Excess revenues over expenditures of \$43,628 was supplemented by a \$145,026 net transfer from other funds.
- At the end of the current fiscal year, the Town unassigned fund balance for the general fund was \$10,578,586 and the School Unassigned fund balance (list as restricted in the CAFR) was \$1,109,460. The total unassigned fund balance for the Town General Fund and School Department General Fund of \$11,688,046 equates to 23.8% of total general fund expenditures.
- During the fiscal year, the Town paid \$3,975,000 in principal payments on previously issued general obligation debt, and paid principle of \$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 the Town's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between these items 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

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

for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both 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 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 nine 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 (30 individual projects), both of which are considered to be major funds. Data from the other seven 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 31-32 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. The basic proprietary fund financial statements can be found on pages 35-37 of this report.

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

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 pages 38-39 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 40-64 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 and schedules can be found on pages 71-86 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$93,795,324 at the close of the most recent fiscal year.

	Town of Falmouth's Net Position					
	Governmental		Business-type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 29,685,739	29,661,588	4,003,694	3,517,259	33,689,433	33,178,847
Capital assets	100,196,235	100,224,611	19,587,707	16,283,464	119,783,942	116,508,075
Total assets	129,881,974	129,886,199	23,591,401	19,800,723	153,473,375	149,686,922
Deferred outflow of resources	2,547,304	1,370,400	-	-	2,547,304	1,370,400
Non-current liabilities outstanding	54,160,081	56,292,162	3,397,821	3,708,672	57,557,902	60,000,834
Other liabilities	4,100,571	3,644,744	338,337	290,265	4,438,908	3,935,009
Total liabilities	58,260,652	59,936,906	3,736,158	3,998,937	61,996,810	63,935,843
Deferred inflows of resources	228,545	429,682	-	-	228,545	429,682
Net investment in capital assets	54,205,024	50,126,899	16,347,707	12,719,464	70,552,731	62,846,363
Restricted	7,292,627	7,183,760	-	-	7,292,627	7,183,760
Unrestricted	12,442,430	13,579,352	3,507,536	3,082,322	15,949,966	16,661,674
Total net position	\$ 73,940,081	70,890,011	19,855,243	15,801,786	93,795,324	86,691,797

*The 2016 column was not restated to reflect prior period adjustments that were recorded during the June 30, 2017 audit.

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

By far, the largest portion of the Town of Falmouth's net position (75%) 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.

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 (\$15,949,966) 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 can report positive balances in all categories of net position, including investment in capital assets, restricted net position, and unrestricted net position, both for the government as a whole, as well as for its separate business-type activities.

Further information on deferred outflows of resources and inflows of resources, can be found in the Notes to Basic Financial Statements on page 62.

	Town of Falmouth's Changes in Net Position					
	Governmental		Business-type		Total	
	Activities	Activities	Activities	Activities	Activities	Activities
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 3,930,020	3,489,340	1,918,549	1,767,660	5,848,569	5,257,000
Operating grants and contributions	12,207,192	11,872,141	386,185	340,647	12,593,377	12,212,788
Capital grants and contributions	582,792	1,237,845	4,000,000	-	4,582,792	1,237,845
General revenues:						
Property taxes	36,046,143	34,630,748	-	-	36,046,143	34,630,748
Excise taxes	3,224,489	3,138,658	-	-	3,224,489	3,138,658
Cable TV franchise taxes	220,144	211,124	-	-	220,144	211,124
Grants not restricted to specific programs	941,537	886,641	-	-	941,537	886,641
Other	242,365	387,013	8,516	14,933	250,881	401,946
Total revenues	57,394,682	55,853,510	6,313,250	2,123,240	63,707,932	57,976,750
Expenses:						
General government	4,232,225	4,575,776	-	-	4,232,225	4,575,776
Financial management	1,121,047	1,204,538	-	-	1,121,047	1,204,538
Public safety	4,797,396	4,533,160	-	-	4,797,396	4,533,160
Public works	2,750,978	3,209,514	-	-	2,750,978	3,209,514
Community programs & parks	1,459,140	1,329,529	-	-	1,459,140	1,329,529
Community development	1,915,659	1,279,967	-	-	1,915,659	1,279,967
Education	36,324,140	34,427,522	-	-	36,324,140	34,427,522
Central garage	265,811	254,384	-	-	265,811	254,384
Interest on long-term debt	1,555,660	1,662,539	-	-	1,555,660	1,662,539
Wastewater treatment	-	-	2,259,793	1,952,806	2,259,793	1,952,806
Total expenses	54,422,056	52,476,929	2,259,793	1,952,806	56,681,849	54,429,735
Increase in net position	2,972,626	3,376,581	4,053,457	170,434	7,026,083	3,547,015
Net position--July 1, restated	70,967,455	67,513,430	15,801,786	15,631,352	86,769,241	83,144,782
Net position--June 30	\$73,940,081	70,890,011	19,855,243	15,801,786	93,795,324	86,691,797

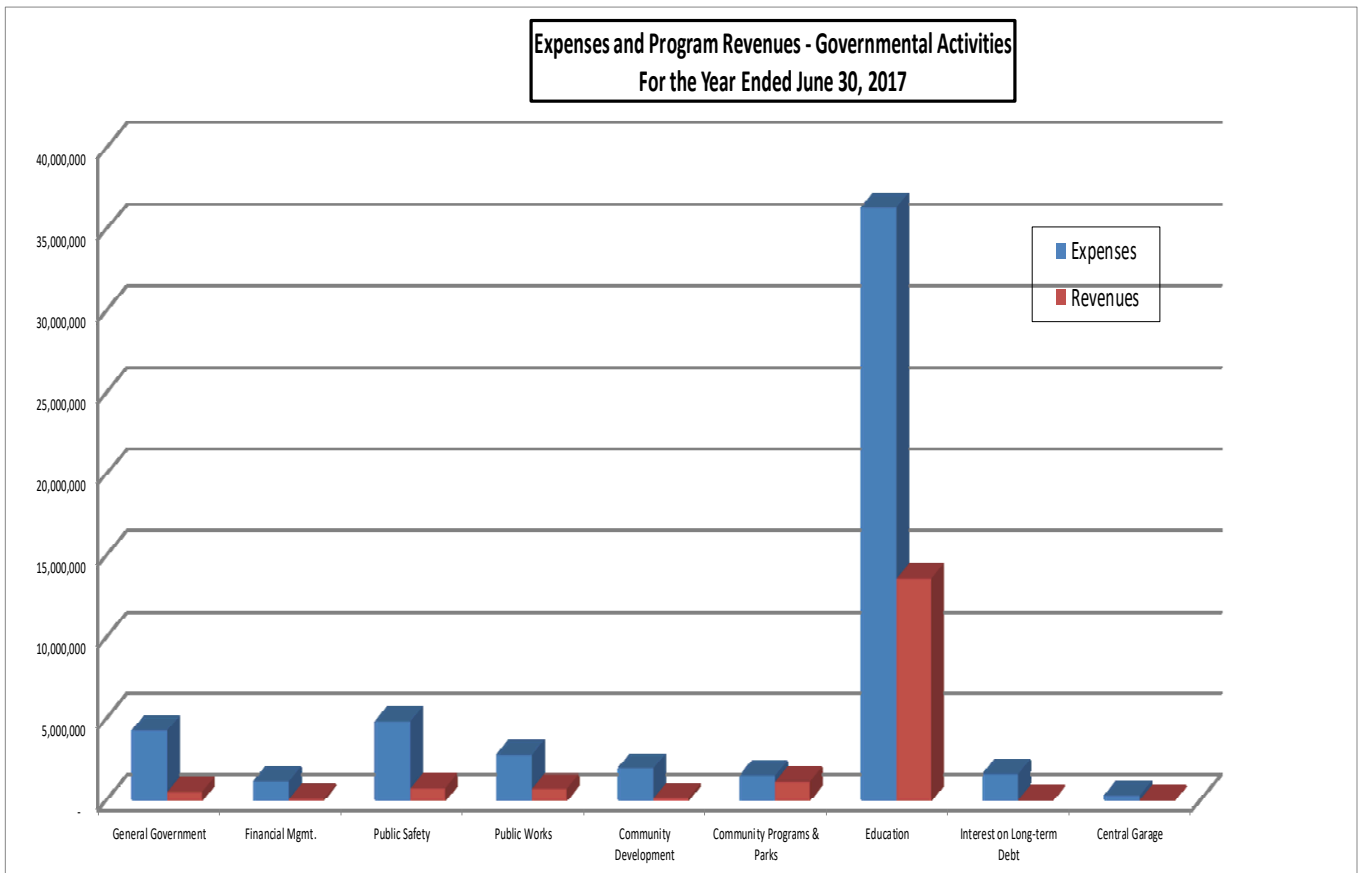
*The 2016 column was not restated to reflect prior period adjustments that were recorded during the June 30, 2017 audit.

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

The Town of Falmouth's net position increased by \$7,026,083, or 8.1%, during the current fiscal year. Total governmental activities revenue increased by \$1,541,172 or 2.8% over the prior year primarily due to increased operating grants and contributions of \$335,051, an increase in taxes of \$1,501,226, an increase in charges for services of \$440,680 and an increase in grants not restricted to specific programs of \$54,896.

Total expenses increased \$2,252,114 or 4.3% from the prior year. The increase was driven by increases in school operating expenses (\$1,896,618), an increase in Community Programs & Parks of \$129,611, an increase in Public Safety of \$264,236, an increase in Community Development expense of \$635,692, and Wastewater expense of \$306,987 offset by decreases in General Government (\$343,551), Interest on Long-term Debt (\$106,879), and Public Works expense (\$458,536).

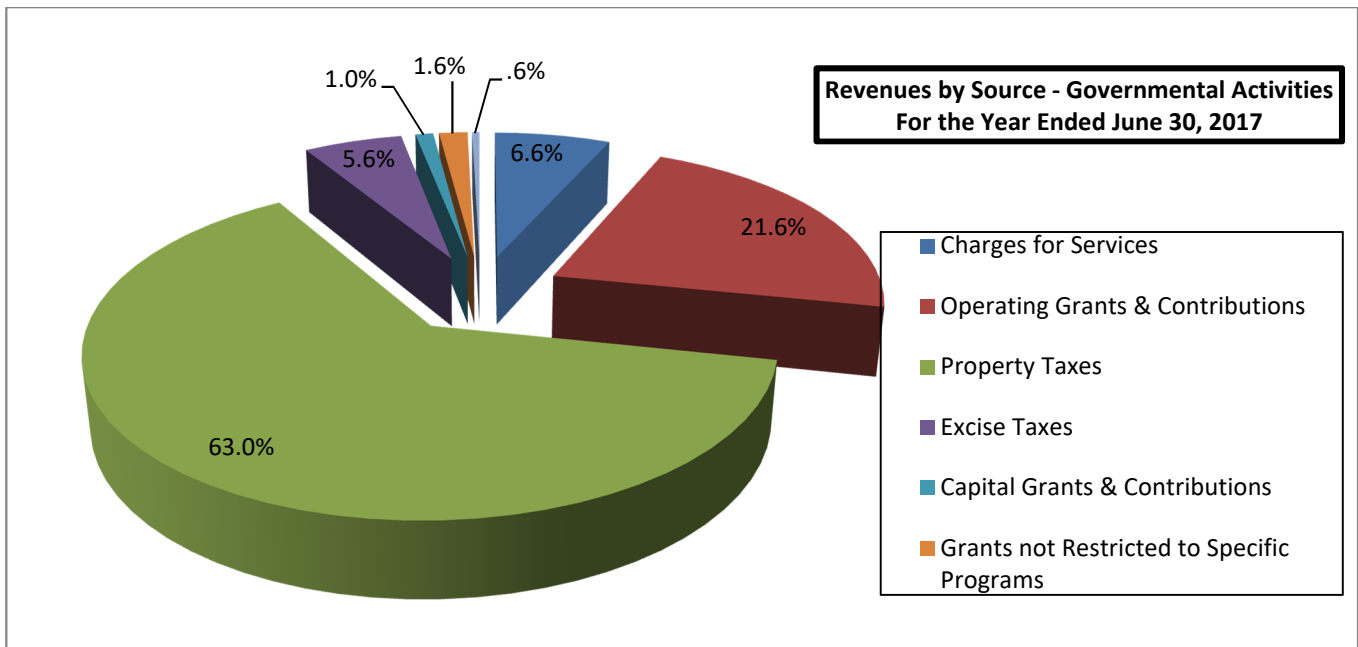
Governmental activities. Governmental activities increased the Town of Falmouth's net position by \$2,972,626 thereby accounting for 42.3% of the total growth in the Town's net position. The following charts illustrate total expenses and revenues by program and revenues by source for all governmental activities. Key elements of this increase are as follows:



- Property tax revenues increased by \$1,415,395 or 4.1% during the year. The tax rate increased from 14.63 mils to 15.09 mils in 2017 or 3.1%. This, along with a 0.86% increase in total property valuation, and strong tax collection efforts, reflected in the Town's continued high tax collection rate of 97.5% collected by August 31, 2017 resulted in the increase.
- Excise taxes increased \$85,831 or 2.7% from the prior year as new car sales and leases continue to see strong growth.
- Operating grants and contributions increased \$335,051 mostly due to increases in amounts received for Education.

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

- General Government line item expenses decreased by \$343,551 or 7.5%. This is primarily due to reduced non-departmental expenses (\$102,890) and reduced operating expenses (\$256,476) offset by increased County Taxes (\$70,081).
- Public Safety overall expenses increased \$264,236 primarily due to increased employee costs and depreciation.
- Public Works decreased by \$458,536 due to reduced operating expenses.
- Community Development expenses increased \$635,692 primarily due to an increase in TIF expenditures of \$389,682 and an increase in operating expenses of \$246,010.
- Financial Management expenses decreased \$83,491 primarily due to a bond escrow payment made in FY2016 (\$69,008) and reduced operating expenses (\$14,483).
- Education line-item expenses increased by \$1,896,618 in 2017 compared to 2016 primarily due to an increase in school operating expense (\$1,849,129) and increased depreciation (\$47,489).



Business-type activities. The Town's one business-type activity, its wastewater treatment operation, increased the Town of Falmouth's net position by \$4,053,457. Key elements of this year's activity are as follows:

- Charges for Services increased by \$150,889 from the prior year.
- Operating Grants and Contributions increased \$45,538.
- Capital Grants and Contributions increased \$4,000,000 due to the receipt of SRF loan funds from Portland Water District for the Mill Creek Pump Station Replacement Project.
- Expenses increased by \$306,987 or 15.7% due to employee costs and the Mill Creek Pump Station project.

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.

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

As of the end of the current fiscal year, the Town of Falmouth's governmental funds reported combined ending fund balances of \$24,973,494, a decrease of \$363,856 from the prior year. This decrease is due to excess expenditures over revenue in the capital project fund (\$739,234) offset by excess revenues over expenditures and fund transfers in the general fund (\$186,724) and excess revenues and fund transfers over expenditures in other government funds (\$188,654). Approximately 41.9% of this total amount (\$10,471,647) constitutes *unassigned fund balance*, which is available for spending at the Town's discretion.

The remainder of the fund balance is as follows: *special revenue funds* (\$1,154,993), which are committed for a specified purpose; *capital project funds* which are committed to capital projects (\$3,651,152); and *restricted or non-spendable* (\$9,073,702) to indicate that it is not available for new spending. These amounts are not available for new spending because they have already been classified to account for inventory, unemployment compensation reserves, or projects which must be completed due to restrictions set by entities at the State or Federal level or other municipal governments outside of the Town.

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 \$12,613,712 (\$2,035,126 of which has been designated by management, the Town Council, or an outside government as assigned, committed, restricted, or non-spendable). 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 21.6% of total general fund expenditures, while total fund balance represents 25.7% of that same amount.

The fund balance of the Town of Falmouth's general fund increased by \$186,724 during the current fiscal year. Major factors in this year's fund balance activity are as follows:

- General fund property tax revenues increased by \$1,181,979 (3.7%) during the year. This increase reflects both a 0.86% increase in total property valuation, and an increase of 3.1% in the mil rate (from 14.63 to 15.09 mils), as well as strong tax collection efforts, reflected in the Town's continued high tax collection rate of 97.5% collected by August 31, 2017.
- Intergovernmental revenue increased by \$503,695 from the prior year, due to increased Operating Grants to the Schools and increased School charges for services offset by a \$41,648 decrease in state revenue sharing.
- A \$85,831 increase in excise taxes, a \$47,433 decrease in charges for services, a \$93,520 increase in license, fees and permits, a \$78,011 decrease in investment earnings, and a \$74,265 decrease in miscellaneous revenue.
- Net other financing uses of \$1,562,961.
- Total General Fund expenditures increased by \$2,258,307 or 4.8%.

The capital project fund decreased by \$739,234 due to capital fund appropriations from the general fund (\$1,417,935) and revenues of \$618,893 offset by capital spending of \$2,776,062.

The combined fund balance of the other (nonmajor) governmental funds increased by \$188,654 due to tax revenue of \$2,518,263, intergovernmental revenue of \$645,702, charges for services of \$2,531,996 and miscellaneous revenues of \$178,240 primarily offset by community development spending of \$1,282,997, education spending of \$2,041,400, community programs & parks spending of \$830,974, capital spending of \$280,557, and debt service payments of \$796,813.

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 \$3,507,536, and net position of the fleet maintenance internal service fund was zero. The total increase in net position for the wastewater treatment fund was \$4,053,457. The total operating loss for the internal service fund was \$16,077.

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

General Fund Budgetary Highlights

For the current fiscal year, all revenue line-items (with the exception of property taxes, intergovernmental revenues, and charges for services) exceeded budgetary projections and all expenditure line-items were within budgetary limits. Revenues exceeded budget by \$117,374 and expenditures were \$269,918 lower than budget. Other financing uses were \$200,568 higher than budget due to supplemental appropriations.

The Town's written fund balance policy, which authorizes funds exceeding 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, 2017 amounts to \$119,783,942 (net of accumulated depreciation), an increase of \$3,046,567. This investment in capital assets includes land, buildings and system, 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 2.6% (a 0.26% decrease for governmental activities and a 20.3% increase for business-type activities).

Town of Falmouth's Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land	\$ 8,625,208	8,245,291	350,600	350,600	8,975,808	8,595,891
Construction-in-progress	571,035	833,350	4,909,463	926,496	5,480,498	1,759,846
Buildings & improvements	54,971,201	56,814,714	6,254,337	6,473,251	61,225,538	63,287,965
Improvements other than buildings	537,263	627,414	-	-	537,263	627,414
Machinery and equipment	4,130,922	3,977,949	1,866,518	2,088,066	5,997,440	6,066,015
Infrastructure	31,360,606	29,955,193	6,206,789	6,445,051	37,567,395	36,400,244
Total	\$ 100,196,235	100,453,911	19,587,707	16,283,464	119,783,942	116,737,375

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

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

- A variety of street construction projects throughout the Town were undertaken, including the rehabilitation of Middle Road and paving portions of Route One. Other projects included park lighting upgrades, construction of a senior center and Open Space acquisitions. In addition, Wastewater completed a significant portion of the Mill Creek Pump Station and Force Main upgrade project scheduled to be complete by FY2018.
- Major equipment additions include a plow/dump truck for Public Works, a new Fire Engine for the Fire Department, two new police cruisers, a detective car, and new computer hardware.

Additional information on the Town of Falmouth's capital assets can be found in the notes to the basic financial statements on pages 48-49 of this report.

Long-term debt. At the end of the current fiscal year, the Town of Falmouth had total bonded debt outstanding of \$50,130,000. Of this amount, \$46,890,000 consists of general obligation debt backed by the full faith and credit of the Town. It should be noted that the State of Maine has been funding school debt payments for the entire \$4,225,000 2011 High School Construction Refunding Bond and 84.2% of the \$28,285,000 2011 Elementary School Construction Bond (\$23,827,749). The State contribution toward debt service totaled \$3,450,538 in 2017. The remaining \$3,240,000 of the Town's debt consists of sewer revenue bonds secured solely by sewer user fees.

All Governmental activities long-term debt service requirements are paid by either the General Fund, or the Route One South TIF District fund.

Town of Falmouth's Outstanding Debt						
General Obligation and Revenue Bonds						
	Governmental activities		Business-type debt		Total	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$46,890,000	50,865,000	-	-	46,890,000	50,865,000
Revenue bonds	-	-	3,240,000	3,564,000	3,240,000	3,564,000
Total	\$46,890,000	50,865,000	3,240,000	3,564,000	50,130,000	54,429,000

During the fiscal year, the Town paid \$3,975,000 in principal payments on previously issued general obligation debt, and paid principle of \$324,000 on previously issued sewer revenue bond debt.

During the fiscal year, The Town of Falmouth maintained its "AAA" credit rating from Standard & Poor's 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 \$350,715,000. The Town's actual total outstanding debt of \$50,130,000 (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 50-54 of this report.

Economic Factors and Next Year's Budgets and Rates

- The Town of Falmouth's property tax base continues to remain stable, paced by a stable building and real estate construction market. Falmouth's taxable valuation base grew by 0.86% in fiscal year 2016-17. A total of 82 building permits for new construction were issued in 2016-17, including 78 permits for new single-family residential housing and 4 permits for new commercial buildings.

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

- Certain economic areas are showing increased strength. For example, the automobile market's continued strength has led to a strong increase in automobile excise collections. This amount increased 2.7% to \$3,224,489 in fiscal year 2016-17 from \$3,138,658 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. 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.
- 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 grant money. This uncertainty will require constant monitoring by Town staff of the upcoming state legislative session.
- 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 continuation of low rates. The Town has seen an improvement in investment earnings over the last two years through an increase in the allocation of funds to FDIC-insured CDs and government securities in the Town's investment portfolio.
- The Town has seen the costs of employee health insurance increase significantly in 2017 with an increase of 12.7% on each of the plans. To help offset these increases, the Town offers employees an incentive to take the more cost-effective PPO plan by giving them a share of the cost savings. In addition, the Town replaced the POS plan with no deductible it offered in the past to a choice of a plan with a \$200 family deductible or a plan with a \$500 family deductible.

Where applicable, the factors above were considered in preparing the Town of Falmouth's budget for the 2017 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 5.5% in School expenditures, partially from building construction related debt, and 4.8% County requirements from property taxes and result in a 3.1% increase in the property tax rate in fiscal year 2016-17. The tax rate increased to \$15.09 per thousand of valuation.

Affecting the future development for the Town:

- The private expansion of natural gas lines throughout the Town is continuing. Installation of the distribution system will represent a significant investment in Falmouth. The entire project is expected to take between five and ten years.
- The Town plans on completion of the \$5.9 million Mill Creek pump station upgrade and force main replacement by FY2018. This pump station serves both the Town of Falmouth and the Town of Cumberland with Falmouth's share of the project cost being 56.3% or \$3.3 million. The Town plans to fund up to \$2.3 million through a loan from the Portland Water District. Portland Water District obtained an SRF loan to finance both the Falmouth and Cumberland funding requirements for this project. Falmouth will fund the remaining \$1 million of its share of project cost from its unrestricted Wastewater Enterprise fund.
- The Town has completed the renovation of a portion of the newly renovated Town Community Center to create a Senior Center for the Town.
- Private development is anticipated in the Route 1 South commercial district following the 2016 completion of the Town's \$12M infrastructure investment.
- The Town recently completed a master plan for the Route 1 North commercial district with recommended improvements including intersection and roadway improvements, as well as, pedestrian and bicycle amenities. Construction of this project has not yet been scheduled.

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

- In May 2015, the Town completed a \$10,500,000 vision plan for the Route 100 commercial corridor infrastructure improvements. On June 14, 2016, Falmouth voters approved up to \$6,000,000 of general obligation bonds to finance a portion of the project. The remaining \$4,500,000 will be funded through a \$4,000,000 grant from the Maine Department of Transportation and \$500,000 from existing West Falmouth Crossing TIF funds. Work on this infrastructure improvement project is scheduled to begin in 2018.

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

TOWN OF FALMOUTH, MAINE
Statement of Net Position
June 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 16,517,143	-	16,517,143
Investments	14,714,229	-	14,714,229
Receivables:			
Taxes	1,216,968	-	1,216,968
Accounts	196,450	380,086	576,536
Due from other governments	223,599	5,940	229,539
Notes	283,500	-	283,500
Internal balances	(3,617,668)	3,617,668	-
Inventories	125,682	-	125,682
Prepaid items	20,166	-	20,166
Tax-acquired property	5,670	-	5,670
Capital assets not being depreciated	9,196,243	5,260,063	14,456,306
Capital assets net of accumulated depreciation	90,999,992	14,327,644	105,327,636
Total assets	129,881,974	23,591,401	153,473,375
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	2,547,304	-	2,547,304
Total deferred outflows of resources	2,547,304	-	2,547,304
LIABILITIES			
Accounts payable and other current liabilities	595,536	270,721	866,257
Accrued payroll	2,941,801	27,955	2,969,756
Accrued interest	221,303	39,661	260,964
Taxes paid in advance	31,447	-	31,447
Held on behalf of others	310,484	-	310,484
Noncurrent liabilities:			
Due within one year	4,392,731	387,622	4,780,353
Due in more than one year	49,767,350	3,010,199	52,777,549
Total liabilities	58,260,652	3,736,158	61,996,810
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	228,545	-	228,545
Total deferred inflows of resources	228,545	-	228,545
NET POSITION			
Net investment in capital assets	54,205,024	16,347,707	70,552,731
Restricted for:			
Tax Incremental Financing	5,993,803	-	5,993,803
Perpetual care, nonexpendable	9,648	-	9,648
Education	1,285,916	-	1,285,916
Grants and restricted programs	3,260	-	3,260
Unrestricted	12,442,430	3,507,536	15,949,966
Total net position	\$ 73,940,081	19,855,243	93,795,324

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, 2017

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	\$ 4,232,225	412,884	65,945	15,360	(3,738,036)	-	(3,738,036)
Financial management	1,121,047	52,396	-	-	(1,068,651)	-	(1,068,651)
Public safety	4,797,396	640,104	46,121	19,100	(4,092,071)	-	(4,092,071)
Public works	2,750,978	466,343	-	208,642	(2,075,993)	-	(2,075,993)
Community development	1,915,659	105,175	-	-	(1,810,484)	-	(1,810,484)
Community programs and parks	1,459,140	750,775	11,193	339,690	(357,482)	-	(357,482)
Education	36,324,140	1,501,674	12,083,933	-	(22,738,533)	-	(22,738,533)
Interest on long-term debt	1,555,660	-	-	-	(1,555,660)	-	(1,555,660)
Central garage	265,811	669	-	-	(265,142)	-	(265,142)
Total governmental activities	54,422,056	3,930,020	12,207,192	582,792	(37,702,052)	-	(37,702,052)
Business-type activities:							
Wastewater treatment	2,259,793	1,918,549	386,185	4,000,000	-	4,044,941	4,044,941
Total business-type activities	2,259,793	1,918,549	386,185	4,000,000	-	4,044,941	4,044,941
Total primary government	\$ 56,681,849	5,848,569	12,593,377	4,582,792	(37,702,052)	4,044,941	(33,657,111)
General revenues:							
Property taxes					\$ 36,046,143	-	36,046,143
Excise taxes					3,224,489	-	3,224,489
Cable TV franchise taxes					220,144	-	220,144
Grants not restricted to specific programs:							
State revenue sharing					440,784	-	440,784
Homestead exemption					471,974	-	471,974
Other governmental revenues					28,779	-	28,779
Unrestricted investment earnings					168,961	8,516	177,477
Miscellaneous revenues					73,404	-	73,404
Total general revenues					40,674,678	8,516	40,683,194
Change in net position					2,972,626	4,053,457	7,026,083
Net position - beginning, as restated					70,967,455	15,801,786	86,769,241
Net position - ending					\$ 73,940,081	19,855,243	93,795,324

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

TOWN OF FALMOUTH, MAINE
Balance Sheet
Governmental Funds
June 30, 2017

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 16,507,495	-	9,648	16,517,143
Investments	14,714,229	-	-	14,714,229
Receivables:				
Taxes	935,031	-	-	935,031
Liens	281,937	-	-	281,937
Accounts	140,839	-	55,611	196,450
Due from other governments	79,272	-	144,327	223,599
Notes	283,500	-	-	283,500
Due from other funds	-	5,133,829	7,186,199	12,320,028
Inventories	-	-	25,017	25,017
Prepaid items	20,166	-	-	20,166
Tax-acquired property	5,670	-	-	5,670
Total assets	\$ 32,968,139	5,133,829	7,420,802	45,522,770
LIABILITIES				
Accounts payable	497,263	9,758	84,327	591,348
Accrued payroll	2,891,227	-	40,736	2,931,963
Taxes paid in advance	31,447	-	-	31,447
Due to other funds	16,101,513	-	60,028	16,161,541
Total liabilities	19,521,450	9,758	185,091	19,716,299
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	696,578	-	-	696,578
Unavailable revenues - ambulance fees	136,399	-	-	136,399
Total deferred inflows of resources	832,977	-	-	832,977
FUND BALANCES				
Nonspendable	303,666	-	34,665	338,331
Restricted	1,109,460	1,477,409	6,148,502	8,735,371
Committed	-	3,651,152	1,154,993	4,806,145
Assigned	622,000	-	-	622,000
Unassigned	10,578,586	(4,490)	(102,449)	10,471,647
Total fund balances	12,613,712	5,124,071	7,235,711	24,973,494
Total liabilities, deferred inflows of resources, and fund balances	\$ 32,968,139	5,133,829	7,420,802	
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.				100,196,235
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds.				832,977
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:				
Accrued compensated absences				(1,338,550)
Accrued interest				(221,303)
Other postemployment benefits				(789,627)
Landfill postclosure care liability				(64,000)
Net pension liability with related deferred outflows and inflows of resources				(2,180,525)
Capital leases				(129,912)
Bonds payable, including unamortized premiums				(47,338,708)
Net position of governmental activities			\$	73,940,081

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, 2017

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property	\$ 33,442,282	-	2,518,263	35,960,545
Excise	3,224,489	-	-	3,224,489
Licenses, permits and fees	595,396	-	-	595,396
Intergovernmental	12,306,933	542,102	645,702	13,494,737
Charges for services	966,949	-	2,531,996	3,498,945
Fines and forfeitures	54,425	-	-	54,425
Investment earnings	132,853	36,100	8	168,961
Miscellaneous	91,266	40,691	178,232	310,189
Total revenues	50,814,593	618,893	5,874,201	57,307,687
EXPENDITURES				
Current:				
General government	1,253,766	-	140,735	1,394,501
Financial management	1,121,047	-	-	1,121,047
Public safety	4,107,563	-	42,127	4,149,690
Public works	1,940,107	-	394,827	2,334,934
Community development	591,223	-	1,282,997	1,874,220
Community programs and parks	438,794	-	830,974	1,269,768
Education	32,643,668	-	1,177,525	33,821,193
Non-departmental	660,192	-	20,143	680,335
County tax	1,526,360	-	-	1,526,360
Food service	-	-	863,875	863,875
Debt service:				
Principal	3,385,000	-	590,000	3,975,000
Interest	1,397,188	-	206,813	1,604,001
Capital outlay:				
Capital improvements	-	2,776,062	280,557	3,056,619
Total expenditures	49,064,908	2,776,062	5,830,573	57,671,543
Excess (deficiency) of revenues over (under) expenditures	1,749,685	(2,157,169)	43,628	(363,856)
Other financing sources (uses):				
Transfers in	89,281	1,417,935	165,026	1,672,242
Transfers out	(1,652,242)	-	(20,000)	(1,672,242)
Total other financing sources (uses)	(1,562,961)	1,417,935	145,026	-
Net change in fund balances	186,724	(739,234)	188,654	(363,856)
Fund balances - beginning, as restated	12,426,988	5,863,305	7,047,057	25,337,350
Fund balances - ending	\$ 12,613,712	5,124,071	7,235,711	24,973,494

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, 2017

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)	\$	(363,856)
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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 depreciation expense (\$4,148,719) exceeded capital outlays (\$3,977,552).

(171,167)

In the statement of activities, only the gain or loss on disposal 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 assets sold.

(86,509)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This represents the change in unavailable revenues.

86,326

Change in accruals are recorded on the statement of net position, but not on the governmental fund balance sheet - increase in accrued compensated absences (\$92,130), other post employment benefits liability (\$56,532), and net pension liabilities with related deferred outflows and inflows of (\$427,617), the decrease in accrued interest (\$13,787) and the decrease in accrued landfill liability (\$16,000).

(546,492)

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 is the amount of principal repayments (\$4,035,847) and amortization of bond premium (\$34,554).

4,070,401

Internal service funds are used by management to charge the costs of fleet management to individual funds. The net loss of certain activities of internal service funds is reported with governmental activities.

(16,077)

Change in net position of governmental activities (see Statement 2)	\$	2,972,626
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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, 2017

	Budgeted amounts		Actual amounts	Variance with final budget positive (negative)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 33,530,788	33,530,788	33,442,282	(88,506)
Excise	3,125,680	3,125,680	3,224,489	98,809
Licenses, permits and fees	471,374	471,374	595,396	124,022
Intergovernmental	10,008,658	10,008,658	10,000,152	(8,506)
Charges for services	1,018,934	1,018,934	966,949	(51,985)
Fines and forfeitures	63,999	63,999	54,425	(9,574)
Investment earnings	101,000	101,000	132,853	31,853
Miscellaneous	70,005	70,005	91,266	21,261
Total revenues	48,390,438	48,390,438	48,507,812	117,374
EXPENDITURES				
Current:				
General government	1,262,728	1,262,728	1,253,766	8,962
Financial management	1,151,292	1,151,292	1,121,047	30,245
Public safety	4,058,493	4,134,915	4,107,563	27,352
Public works	1,979,171	1,948,061	1,940,107	7,954
Community development	587,521	595,043	591,223	3,820
Community programs and parks	463,785	463,785	438,794	24,991
Education	30,412,214	30,412,214	30,336,887	75,327
Non-departmental	786,299	702,355	660,192	42,163
County tax	1,526,360	1,526,360	1,526,360	-
Debt service:				
Principal	3,385,000	3,385,000	3,385,000	-
Interest	1,415,182	1,415,182	1,397,188	17,994
Total expenditures	47,028,045	46,996,935	46,758,127	238,808
Excess of revenues over expenditures	1,362,393	1,393,503	1,749,685	356,182
Other financing sources (uses):				
Transfers in	-	-	89,281	89,281
Transfers out	(1,362,393)	(1,577,243)	(1,652,242)	(74,999)
Budgeted use of surplus	-	183,740	-	(183,740)
Total other financing sources (uses)	(1,362,393)	(1,393,503)	(1,562,961)	(169,458)
Net change in fund balance	-	-	186,724	186,724
Fund balance - beginning			12,426,988	
Fund balance - ending	\$		12,613,712	

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, 2017

	Business-type Activities - Enterprise Fund Wastewater	Governmental Activities Internal Service Fund
ASSETS		
Current assets:		
Accounts receivable	\$ 380,086	-
Due from other governments	5,940	-
Due from other funds	3,617,668	-
Inventories	-	100,665
Total current assets	4,003,694	100,665
Noncurrent assets:		
Capital assets, not being depreciated:		
Land	350,600	-
Construction in progress	4,909,463	-
Capital assets, being depreciated:		
Buildings and improvements	11,515,950	-
Machinery and equipment	4,260,050	-
Infrastructure	11,917,316	-
Less accumulated depreciation	(13,365,672)	-
Total capital assets (net of accumulated depreciation)	19,587,707	-
Total noncurrent assets	19,587,707	-
Total assets	23,591,401	100,665
LIABILITIES		
Current liabilities:		
Accounts payable	270,721	4,188
Accrued payroll	27,955	9,838
Due to other funds	-	86,639
Accrued interest	39,661	-
Current portion of compensated absences	63,622	-
Current portion of bonds payable	324,000	-
Total current liabilities	725,959	100,665
Noncurrent liabilities:		
Compensated absences	94,199	-
Revenue bonds payable - noncurrent	2,916,000	-
Total noncurrent liabilities	3,010,199	-
Total liabilities	3,736,158	100,665
NET POSITION		
Net investment in capital assets	16,347,707	-
Unrestricted	3,507,536	-
Total net position	\$ 19,855,243	-

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, 2017

	Business-type Activities - Enterprise Fund Wastewater	Governmental Activities Internal Service Fund
Operating revenues:		
User fees	\$ 1,793,703	249,734
Connection charges	92,650	-
Intergovernmental	386,185	-
Miscellaneous	32,196	-
Total operating revenues	2,304,734	249,734
Operating expenses:		
Personnel services	771,619	258,061
Contract services	354,924	5,910
Supplies and materials	102,023	1,840
Repairs and maintenance	237,208	-
Depreciation	715,929	-
Total operating expenses	2,181,703	265,811
Operating income (loss)	123,031	(16,077)
Nonoperating income (expenses):		
Investment earnings	8,516	-
Interest expense	(78,090)	-
Total nonoperating expenses	(69,574)	-
Income (loss) before contributions	53,457	(16,077)
Capital contributions	4,000,000	-
Total capital contributions	4,000,000	-
Change in net position	4,053,457	(16,077)
Total net position - beginning	15,801,786	16,077
Total net position - ending	\$ 19,855,243	-

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, 2017

	Business-type Activities- Enterprise Fund	Governmental Activities- Internal Service Fund
	Wastewater	
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 2,288,946	249,734
Payments to suppliers	(642,549)	(8,719)
Payments to employees	(751,988)	(241,826)
Net cash provided by (used in) operating activities	894,409	(811)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(4,020,172)	-
Repayment of revenue bonds	(324,000)	-
Interest paid on bonds	(83,355)	-
Capital contributions	4,000,000	-
Net cash used in capital and related financing activities	(427,527)	-
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Increase in interfund loans	-	811
Decrease in interfund loans	(475,398)	-
Net cash provided by (used in) non-capital financing activities	(475,398)	811
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	8,516	-
Net cash provided by investing activities	8,516	-
Net increase in cash	-	-
Cash, July 1	-	-
Cash, June 30	\$ -	-
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 123,031	(16,077)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	715,929	-
(Increase) decrease in accounts receivable	(20,193)	-
(Increase) decrease in due from other governments	4,405	-
(Increase) decrease in inventories	-	15,386
(Increase) decrease in prepaid expenses	4,751	-
Increase (decrease) in accounts payable	46,855	(969)
Increase (decrease) in accrued payroll	6,482	849
Increase (decrease) in compensated absences payable	13,149	-
Net cash provided by (used in) operating activities	\$ 894,409	(811)

TOWN OF FALMOUTH, MAINE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

		Private - purpose Trusts	Agency Funds
ASSETS			
Cash and cash equivalents	\$	46,953	291,515
Investments		177,920	-
Due from other funds		-	418,306
Total assets		224,873	709,821
LIABILITIES			
Due to other funds		107,822	-
Held for student activities		-	284,555
Held for performance guarantees		-	425,266
Total liabilities		107,822	709,821
NET POSITION			
Held in trust	\$	117,051	-

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

FALMOUTH SCHOOL DEPARTMENT
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the year ended June 30, 2017

	Private- purpose Trust Funds
Additions:	
Donations	\$ 19,437
Other	278
Total additions	19,715
Deductions:	
Scholarships and other	54,520
Total deductions	54,520
Change in net position	(34,805)
Net position, beginning of year, as restated	151,856
Net position, end of year	\$ 117,051

See accompanying notes to financial statements.

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.

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 Town and the School Department.

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 monthly fees, based upon the amount and type of usage, to support the expenses 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 types:

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

Private purpose trust funds are used to account for assets held by the Town under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Town own programs. The Town's trust fund is a private purpose trust that accounts for scholarship programs for students of the School Department.

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 fees intended to recover the cost of connecting new customers to the system as operating revenues. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Fund Balance

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, 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. Interfund 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."

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Fund Balance, Continued

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

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 acquisition 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: improvements other than buildings - 10 to 20 year; buildings and improvements - 10 to 20 years; machinery and equipment - 5 to 10 years; and infrastructure - 20 to 50 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Fund Balance, Continued

7. Fund balance

Governmental fund fund balance is reported in five classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which those funds can be spent. The five classifications of fund balance for the governmental funds are as follows:

- *Nonspendable* – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.
- *Restricted* – resources with constraints placed on the use of resources which are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or; b) imposed by law through constitutional provisions or enabling legislation.
- *Committed* – resources which are subject to limitations the Town imposes on itself at its highest level of decision making authority, and that remain binding unless removed in the same manner.
- *Assigned* – resources that are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed.
- *Unassigned* – resources which have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

The Town Council has responsibility for committing fund balance, 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 Council Order) to remove or revise the limitation.

Assigned amounts 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 restricted resources first, and then use unrestricted sources in the order of committed, then assigned, then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

8. Deferred outflows and inflows of resources

In addition to assets and liabilities, the statement of net position and balance sheet will sometimes report separate sections for deferred outflows of resources and deferred inflows of resources. These separate financial statement elements, deferred outflows of resources and deferred inflows of resources, represent a consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) or inflow of resources (revenue) until that time. The governmental funds report two types of deferred inflows of resources, unavailable revenue from property taxes and unavailable revenues from ambulance service fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The governmental activities have deferred outflows and inflows that relate to the net pension liability, which include the Town’s contributions subsequent to the measurement date, which is recognized as a reduction of the net pension liability in the subsequent year.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Fund Balance, Continued

They include changes in assumptions, differences between expected and actual experience, and changes in proportion and differences between Town contributions and proportionate share of contributions, which are deferred and amortized over the average expected remaining service lives of active and inactive members in the plan. They also include the net difference between projected and actual earnings on pension plan investments, which is deferred and amortized over a five-year period.

9. 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.

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maine Public Employees Retirement System Consolidated Plan for Participating Local Districts (PLD Plan) and the Maine Public Employees Retirement System State Employee and Teacher Plan (SET Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

A budget is adopted for the General Fund only, and is adopted on a basis consistent with generally accepted accounting principles (except for on behalf payments to the Maine Public Employees Retirement System). Each spring, all departments of the Town, including the School 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. All unexpended appropriations lapse at year end unless specific approval is granted to carry forward such amounts. Department level total expenditures should not exceed appropriations.

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 was \$214,850 in supplemental appropriations authorized in fiscal year 2016-17 as demonstrated by the original and final budgeted amounts shown on the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONTINUED

During the year ended June 30, 2017, the Town budgeted to utilize \$214,850 of prior year fund balance as a budgeted use of surplus.

B. Deficit Fund Balances

At June 30, 2017, the following funds had deficit fund balances:

Stadium restroom	\$ 1,250	Field hockey	125
Other school capital	3,240	Boys lacrosse	3,014
Town very merry weekend	2,303	Girls lacrosse	14,448
Title I NCLB disadvantaged	50	FEF greenhouse	3,482
Local entitlement	35,410	HS sculpture project	10,000
Title IIA supporting effective instruction	328	School store	1,749
PTO mini grants	1,069	HS AP testing	182
Dickenson family grant	154	High school summer academy	673
FEF grants	3,235	MS summer academy	540
Lacrosse boosters	17,291	FES summer academy	3,218
Baseball boosters	4,132	Boys soccer	1,046

These deficits will be funded by future grant revenue, charges for services, or transfers.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of June 30, 2017, the Town had the following investments:

	<u>Fair value</u>	<u>Weighted average maturity (years)</u>	<u>Level 1 input</u>	<u>Credit Ratings</u>
Money market	\$ 313,147	N/A	N/A	N/A
Mutual funds	73,930	N/A	yes	N/A
Certificates of deposit	7,537,890	2.889	N/A	N/A
Federal Farm Credit	2,026,624	4.024	yes	AA+
Federal National Mortgage Association	4,940,558	3.963	yes	AA+

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

III. DETAILED NOTES ON ALL FUNDS, CONTINUED

A. Deposits and Investments, Continued

Custodial credit risk- deposits – In the case of deposits, this is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. As of June 30, 2017, 100% of the Town’s bank balance of \$17,870,364 was covered by FDIC insurance, fully insured, or collateralized. The Town does not have a deposit policy for custodial credit 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.

Interest rate risk – The Town does have a formal investment policy that implicitly addresses investment rate risk.

B. Property Tax

Property taxes for the current year were committed on August 25, 2016, based on the assessed value listed as of April 1, 2016, for all real and personal property located in the Town. The Town’s total taxable assessed value of \$2,388,936,400 represented 102% of the State-equalized valuation for the Town of \$2,338,100,000.

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 \$33,574 for the year ended June 30, 2017. 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 2017 and 2016 levies:

	<u>2017</u>	<u>2016</u>
Assessed value	\$ 2,388,936,400	2,368,571,800
Tax rate (per \$1,000)	15.09	14.63
Commitment	36,049,050	34,652,205
Supplemental taxes assessed	-	-
Total levy	36,049,050	34,652,205
Less:		
Abatements	(11,605)	(33,526)
Collections	(35,148,726)	(33,632,327)
Receivable at end of year	\$ 888,719	986,352
Due date(s)	½ November 3, 2016 ½ May 4, 2017	½ November 5, 2015 ½ May 5, 2016
Interest rate on delinquent taxes	7.0%	7.0%
Collection rate	97.5%	97.1%

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

III. DETAILED NOTES ON ALL FUNDS, CONTINUED

C. Capital Assets

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

	Restated Balance June 30, <u>2016</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2017</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 8,245,291	379,917	-	8,625,208
Construction in progress	833,350	326,033	588,348	571,035
Total capital assets not being depreciated	9,078,641	705,950	588,348	9,196,243
Capital assets being depreciated:				
Improvements other than buildings	1,786,154	9,796	-	1,795,950
Buildings and improvements	78,129,569	324,205	-	78,453,774
Machinery and equipment	12,801,760	1,239,726	1,821,586	12,219,900
Infrastructure	41,285,384	2,286,223	-	43,571,607
Total capital assets being depreciated	134,002,867	3,859,950	1,821,586	136,041,231
Less accumulated depreciation for:				
Improvements other than buildings	1,158,740	99,947	-	1,258,687
Buildings and improvements	21,314,855	2,167,718	-	23,482,573
Machinery and equipment	8,823,811	1,000,244	1,735,077	8,088,978
Infrastructure	11,330,191	880,810	-	12,211,001
Total accumulated depreciation	42,627,597	4,148,719	1,735,077	45,041,239
Total capital assets being depreciated, net	91,375,270	(288,769)	86,509	90,999,992
Governmental activities capital assets, net	\$ 100,453,911	417,181	674,857	100,196,235
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 350,600	-	-	350,600
Construction in progress	926,496	3,982,967	-	4,909,463
Total capital assets not being depreciated	1,277,096	3,982,967	-	5,260,063
Capital assets being depreciated:				
Building and improvements	11,499,819	16,131	-	11,515,950
Machinery and equipment	4,238,976	21,074	-	4,260,050
Infrastructure, sewer	11,917,316	-	-	11,917,316
Total capital assets being depreciated	27,656,111	37,205	-	27,693,316
Less accumulated depreciation for:				
Buildings and improvements	\$ 5,026,568	235,045	-	5,261,613
Machinery and equipment	2,150,910	242,622	-	2,393,532
Infrastructure, sewer	5,472,265	238,262	-	5,710,527
Total accumulated depreciation	12,649,743	715,929	-	13,365,672
Total capital assets being depreciated, net	15,006,368	(678,724)	-	14,327,644
Business-type activities capital assets, net	\$ 16,283,464	3,304,243	-	19,587,707

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

III. DETAILED NOTES ON ALL FUNDS, CONTINUED

C. Capital Assets, Continued

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

Governmental activities:	
General government	\$ 189,007
Public safety	595,632
Public works, including depreciation of general infrastructure assets	1,156,768
Community programs and parks	198,049
Education	2,009,263
<u>Total depreciation expense – governmental activities</u>	<u>4,148,719</u>
Business-type activities:	
Wastewater	715,929
<u>Total depreciation expense</u>	<u>\$ 4,864,648</u>

D. Construction Commitment

The Town has active construction commitments as of June 30, 2017 for the reconstruction of the Town's Mill Creek Pump Station. At year-end, the Town's commitments for these projects are as follows:

	<u>Contract</u> <u>Total</u>	<u>Percentage</u> <u>Complete</u>	<u>Billed</u> <u>to Date</u>	<u>Remaining</u> <u>Balance</u> <u>Remaining</u>
Mill Creek Pump Station:				
Construction contract	\$ 4,742,662	76.27%	3,617,335	1,125,327
Engineering contract	554,611	50.58%	280,498	274,113

This project is being financed through bonds issued on behalf of the Town by the Portland Water District.

E. Interfund Receivables, Payables, Transfers

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

<u>Fund</u>	<u>Interfund loans</u> <u>receivable</u>	<u>Interfund loans</u> <u>payable</u>	<u>Transfers</u> <u>in (out)</u>
General fund	\$ -	16,101,513	(1,562,961)
Capital projects fund	5,133,829	-	1,417,935
Other governmental funds:			
Special revenue funds:			
Town special revenue funds	1,038,646	-	39,026
Oceanview Natural Gas TIF	175,648	-	126,000
Route 1 North TIF	3,003,676	-	-
Route 1 South TIF	1,105,142	-	(20,000)
West Falmouth TIF	1,731,164	-	-
School special revenue funds	-	60,028	-
School lunch program	131,923	-	-

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

III. DETAILED NOTES ON ALL FUNDS, CONTINUED

E. Interfund Receivables, Payables, Transfers, Continued

<u>Fund</u>	<u>Interfund loans receivable</u>	<u>Interfund loans payable</u>	<u>Transfers in (out)</u>
Wastewater	\$ 3,617,668	-	-
Internal service	-	86,639	-
Private-purpose trust	-	107,822	-
Agency funds	418,306	-	-
Totals	\$ 16,356,002	16,356,002	-

The purpose of interfund loans is to charge revenues and expenditures to the appropriate fund when that activity is accounted for through the centralized checking account. The balances represent each fund's portion of the centralized checking account.

The primary purpose of the transfers is to move unrestricted revenues from various funds to finance various programs and capital projects that the City must account for in other funds in accordance with budgetary authorizations.

F. Long-term Debt

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 is \$65,350,000. 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.

All governmental activities long-term debt service requirements are paid by either the General Fund or the Route One South TIF District 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	4.88%-5.50%	\$ 600,000
2011 High School Construction Refunding	2011	2021	2.00%-4.00%	4,225,000
Elementary School Construction	2011	2032	2.00%-4.25%	28,285,000
2013 GOB – Middle School Improvements	2013	2034	2.00%-4.25%	4,250,000
2014 GOB – Route 1 South Development	2015	2030	2.00%-3.50%	7,630,000
<u>2015 GOB – Public Safety Building Refunding</u>	<u>2016</u>	<u>2027</u>	<u>3.00%</u>	<u>1,900,000</u>
<u>Total bonds payable</u>				<u>\$ 46,890,000</u>

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

III. DETAILED NOTES ON ALL FUNDS, CONTINUED

F. Long-term Debt, 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>
2018	\$ 3,985,000	2,084,725	6,069,725
2019	3,980,000	1,972,900	5,952,900
2020	3,975,000	1,859,475	5,834,475
2021	3,775,000	1,749,125	5,524,125
2022	3,770,000	1,637,625	5,407,625
2023-2027	14,475,000	6,749,219	21,224,219
2028-2032	12,430,000	3,065,951	15,495,951
2033-2034	500,000	20,938	520,938
Totals	\$ 46,890,000	19,139,958	66,029,958

In accordance with 30-A MRSA, Section 5701, 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, 2017, the Town's outstanding debt did not exceed these limits.

Revenue Bonds. The Town also issued revenue bonds in 2007 to provide funding for the construction of the wastewater treatment plant upgrade. These bonds will be repaid through dedicated sewer user fees. At the date of issue, the Town pledged roughly \$8,147,635 in future sewer user fees. Revenues for principle and interest payments will remain pledged through fiscal year 2027. During fiscal year 2017, the Town pledged \$387,958 of sewer user fees, which represented 100% of the principle and interest payments for the year.

<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%	\$ 3,240,000

Revenue bond debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 324,000	76,960	400,960
2019	324,000	70,564	394,564
2020	324,000	64,168	388,168
2021	324,000	57,772	381,772
2022	324,000	51,377	375,377
2023-2027	1,620,000	160,947	1,780,947
Totals	\$ 3,240,000	481,788	3,721,788

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

III. DETAILED NOTES ON ALL FUNDS, CONTINUED

F. Long-term Debt, Continued

Long-term liability activity for the year ended June 30, 2017 was as follows:

	Restated Beginning balance	Additions	Reductions	Ending balance	Due within one year
Governmental activities:					
General obligation bonds payable	\$ 50,865,000	-	3,975,000	46,890,000	3,985,000
Premiums on bonds issued	483,262	-	34,554	448,708	34,554
Total bonds payable	51,348,262	-	4,009,554	47,338,708	4,019,554
Capital leases	190,759	-	60,847	129,912	41,873
Accrued compensated absences	1,246,420	410,022	317,892	1,338,550	315,304
Other postemployment benefits	733,095	82,286	25,754	789,627	-
Net pension liability	2,693,626	1,814,039	8,381	4,499,284	-
Landfill postclosure care costs	80,000	-	16,000	64,000	16,000
Governmental activity long-term liabilities	56,292,162	2,306,347	4,438,428	54,160,081	4,392,731
Business-type activities:					
Accrued compensated absences	144,672	58,434	45,285	157,821	63,622
Revenue bonds payable	3,564,000	-	324,000	3,240,000	324,000
Business-type activity long-term liabilities	3,708,672	58,434	369,285	3,397,821	387,622
Total long-term governmental and business-type activities	\$ 60,000,834	2,364,781	4,807,713	57,557,902	4,780,353

For the governmental activities, compensated absences are generally liquidated by the General Fund.

Capital lease agreements - The Town has entered into lease agreements as lessee for financing the acquisition of school buses. These leases qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of future minimum lease payments as of the date of its inception. Amounts capitalized under capital leases are \$216,380 for governmental activities. Accumulated depreciation for the capital leases that have been capitalized is \$92,734.

The following is a schedule of future minimum lease payments under the capital lease and the present value of the net minimum lease payment at June 30, 2017.

	Governmental Activities
2018	\$ 46,264
2019	46,264
2020	46,264
Total minimum lease payments	
Less: amount representing interest	(8,880)
Present value of future minimum lease payments	\$ 129,912

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

III. DETAILED NOTES ON ALL FUNDS, CONTINUED

F. Long-term Debt, Continued

Landfill postclosure 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 postclosure costs as operating expenditures in each period as the monitoring tests are performed. The \$64,000 reported as landfill postclosure care liability at June 30, 2017 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.

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, 2017 includes total assets of \$64,040,233, total liabilities of \$17,454,918, and unrestricted net position of \$18,547,554. The liabilities include an accrual for landfill closure and postclosure care amounting to \$14,564,514. 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.

Overlapping debt - Represents the Town's share of debt obligations of Cumberland County and the Portland Water district.

Cumberland County – The Town is subject to an annual assessment of its proportional share of Cumberland County's expenses, including debt repayment, as determined by the percentage of the Town's State Valuation to the County's state valuation. At June 30, 2017, the Town's share is \$2,077,055 (5.55%) of Cumberland County's outstanding debt of \$37,435,000.

Portland Water District (Water Fund Debt) – The Town is subject to assessments allocated on pro-rata, to each member based upon 100% of its respective equalized State Valuation. On this basis, at June 30, 2017, the Town was contingently responsible for approximately 8.34%, or \$3,834,738, of the PWD's Water Fund Debt of \$45,980,073.

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

III. DETAILED NOTES ON ALL FUNDS, CONTINUED

F. Long-term Debt, Continued

Portland Water District (Wastewater Fund Debt) – The Town is responsible for the entire debt service required to finance wastewater debt accumulated for projects that directly benefit the Town’s wastewater system. All Town users of the wastewater system pay monthly fees, based upon water volume, to support expenditures from the Sewer Fund. At June 30, 2017, the Town was responsible for \$4,760,000 of its portion of PWD’s Wastewater Fund Debt (or 11.69% of PWD’s \$40,709,282 total Wastewater Fund Debt).

Total debt, overlapping debt, and contingencies are as follows:

<u>Governmental unit</u>	As of June 30, 2017		
	<u>Direct debt</u>	<u>Overlapping debt</u>	<u>Total debt</u>
Town of Falmouth	\$ 47,468,620	-	47,468,620
Cumberland County	-	2,077,055	2,077,055
<u>Portland Water District</u>	-	<u>8,594,738</u>	<u>8,594,738</u>
Totals	\$ 47,468,620	10,671,793	58,140,413

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.

G. Fund Balances

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. 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 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.

As of June 30, 2017, fund balance components consisted of the following:

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Nonmajor Governmental Funds</u>
Nonspendable:			
Inventory	\$ -	-	25,017
Prepaid items	20,166	-	-
Perpetual care	-	-	9,648
Notes receivable	283,500	-	-
<u>Total nonspendable</u>	<u>303,666</u>	<u>-</u>	<u>34,665</u>

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

III. DETAILED NOTES ON ALL FUNDS, CONTINUED

G. Fund Balances, Continued

	General Fund	Capital Project Fund	Nonmajor Governmental Funds
Restricted:			
TIF districts	\$ -	-	5,993,803
Capital projects	-	1,477,409	-
Public safety	-	-	3,260
Education	1,109,460	-	12,640
School lunch	-	-	138,799
Total restricted	1,109,460	1,477,409	6,148,502
Committed:			
Capital projects	-	3,651,152	-
General government	-	-	230,766
Public safety	-	-	49,815
Public works	-	-	477,807
Community programs and parks	-	-	134,565
Non departmental	-	-	63,710
Education	-	-	198,330
Total committed	-	3,651,152	1,154,993
Assigned:			
Subsequent budget	622,000	-	-
Total Assigned	622,000	-	-
Unassigned	10,578,586	(4,490)	(102,449)
Total fund balance	\$ 12,613,712	5,124,071	7,235,711

H. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

III. DETAILED NOTES ON ALL FUNDS, CONTINUED

H. Net Position, Continued

The Town's net investment in capital assets was calculated as follows at June 30, 2017:

	<u>Governmental activities</u>	<u>Business-type activities</u>
Capital assets	\$ 145,237,474	32,953,379
Accumulated depreciation	(45,041,239)	(13,365,672)
Bonds payable	(47,338,708)	(3,240,000)
Capital leases	(129,912)	-
Unspent bond proceeds	1,477,409	-
<u>Total net investment in capital assets</u>	<u>\$ 54,205,024</u>	<u>16,347,707</u>

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, 2017. 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 is exposed to various risks of loss related to tort, theft of, damage to and destruction of assets, errors, and omissions, and natural disasters for which the department either carries commercial insurance, or is self-insured. The Department participates in a public entity risk pool sponsored by Maine School Management Association (MSMA) for unemployment compensation coverage. Based on the coverage provided by this pool, as well as provided by commercial insurance purchased, the School Department is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2017.

The School Department also maintains an account for unemployment compensation, which amounted to \$73,930 at June 30, 2017 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, 2017.

B. Contingencies

The School Department has a possible contingent liability related to the construction of the elementary school. This project was funded with State funds and a certain percentage of unspent funds need to be returned to the State after the project costs are audited. The total amount of the unspent proceeds including interest earned, as of June 30, 2017 is \$1,477,409. As of June 30, 2017, the State has yet to complete the project's audit and cannot provide a reasonable estimate of the amount to be returned to the State. As a reasonable estimate of the liability is not available at June 30, 2017, no liability has been recorded.

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

IV. OTHER INFORMATION, CONTINUED

B. Contingencies, Continued

The School Department has a possible contingent liability related to out-of-district charges for a special education student. The parents of the student believe that the School Department needs to reimburse tuition charges that were paid while the student was attending a school outside of the Town. As legal proceedings have not concluded, there is uncertainty as to the dollar value of the claim but it could range between \$100,000 and \$200,000.

C. 401(a) Retirement Plan

The Town contributes to the ICMA-RC 401(a) Governmental Defined Contribution Plan & Trust (ICMA-RC), a defined contribution pension plan, for its full-time employees that are not part of the Maine Public Employees Retirement System. ICMA-RC also administers the plan.

Benefit terms, including contribution requirements, for ICMA are established and may be amended by the School Board. For each employee in the pension plan, the Town is required to match contributions up to 7% of an employee's compensation for the year. Employees are permitted to make contributions to the pension plan, up to applicable Internal Revenue Code limits. For the year ended June 30, 2017, employee contributions totaled \$61,197 and the Town recognized pension expense of \$62,887.

Employees are immediately vested in their own as well as Town contributions and earnings on those contributions. There is no forfeiture provision for this pension plan.

D. 457 Retirement Plan

The Town contributes to the ICMA-RC 457 Governmental Deferred Compensation Plan & Trust (ICMA-RC), a defined contribution pension plan, for its full-time employees that are not part of the Maine Public Employees Retirement System. ICMA-RC also administers the plan.

Benefit terms, including contribution requirements, for ICMA are established and may be amended by the School Board. For each employee in the pension plan, the Town is required to match contributions up to 7% of an employee's compensation for the year. Employees are permitted to make contributions to the pension plan, up to applicable Internal Revenue Code limits. For the year ended June 30, 2017, employee contributions totaled \$10,254, and the Town recognized pension expense of \$20,779.

Employees are immediately vested in their own as well as Town contributions and earnings on those contributions. There is no forfeiture provision for this pension plan.

E. Tax Increment Financing Districts and Tax Abatements

The Town has designated four Tax Increment Financing (TIF) Districts: the Route One North TIF District, the Route One South TIF District, the Oceanview Natural Gas TIF, 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.

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

IV. OTHER INFORMATION, CONTINUED

E. Tax Increment Financing Districts and Tax Abatements, Continued

	West <u>Falmouth TIF</u>	Rte. One <u>North TIF</u>	Rte. One <u>South TIF</u>	Oceanview <u>Natural Gas TIF</u>
Original assessed value	\$ 1,147,700	12,166,300	24,184,300	10,903,600
Captured value for year ended 6/30/17	53,994,900	25,912,200	63,289,000	23,686,800
Captured taxes	814,783	391,015	955,031	357,434
Remitted to TIF Fund	814,783	391,015	955,031	357,434

The Town of Falmouth enters into tax abatement agreements with local businesses located within Tax Increment Financing Districts pursuant to Chapter 207 of Title 30-A of the Maine Revised Statutes, as amended, by action of the Town Council. Under the Statute, the Town may grant tax abatements to a business' tax bill for the purpose of attracting or retaining businesses within the TIF District. The abatements may be granted to any business located within or promising to relocate to the Town TIF District. For the fiscal year ended June 30, 2017, the Town abated property taxes totaling \$334,236 under this program, for the following tax abatement agreements:

Tax abatements to a developer consisting of a 50% property tax abatement plus an excise tax abatement of 23.5% of automobile excise tax payments made to the Town in excess of \$65,000 in FY2017. This abatement was provided as an incentive to the developer to construct the Northbrook Office Park in the Route One North TIF District and to relocate a prime tenant to the office park who would locate their truck fleet at the facility. The abatement amounted to \$37,651.

A 36.4% property tax abatement to a developer to construct the West Falmouth Crossing Shopping Center in the West Falmouth Crossing TIF District. The abatement amounted to \$296,585 in FY2017.

F. Prior Period Adjustment and Fund Balance Reclassification

Due to the omission of capital assets from previously issued financial statements, a prior period adjust has been posted. Additionally, during fiscal year 2017 management has reclassified certain permanent and special revenue funds to private purpose trusts to more acutely meet GASB fund classifications.

The Town has restated amounts as follows:

	Governmental <u>Activities</u>
Net position, as previously reported	\$ 70,890,011
Previously unreported capital assets	229,300
Funds reclassified from governmental to fiduciary	<u>(151,856)</u>
<u>Net position, as restated</u>	<u>\$ 70,967,455</u>

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

IV. OTHER INFORMATION, CONTINUED

F. Prior Period Adjustment and Fund Balance Reclassification, Continued

	<u>Other Governmental Funds</u>	<u>Private- purpose Trust Funds</u>
Fund balance/net position as previously reported	\$ 7,198,913	-
Funds reclassified from governmental to fiduciary	(151,856)	151,856
<u>Fund balance/net position, as restated</u>	<u>\$ 7,047,057</u>	<u>151,856</u>

G. Postemployment Benefits

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. The latest OPEB liability actuarial valuation was completed by the consultants in August 2017 based on an actuarial valuation date of January 1, 2017.

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 No. 45 does not mandate the prefunding of postemployment benefits liability. The Town currently funds these benefits on a pay-as-you-go basis and expects to continue this method. No assets have been segregated and restricted to provide postemployment benefits. The annual required contribution (ARC), an actuarially 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.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information immediately following the notes to the financial statements presents multi-year trend information about the plan, showing the actuarial value of plan assets and its change relative to the actuarial accrued liability for benefits over time.

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

IV. OTHER INFORMATION, CONTINUED

G. Postemployment Benefits, Continued

Annual OPEB cost and Net OPEB obligation - The Town's net OPEB obligation was calculated as follows:

Net OPEB obligation, June 30, 2016	\$ 733,095
Annual OPEB cost:	
Normal cost as of beginning of year	40,572
Amortization of the UAAL for 30 years	52,933
Interest on Net OPEB obligation (NOO) to end of year	31,176
NOO amortization adjustment to the ARC	<u>(42,395)</u>
Total annual OPEB cost	82,286
Actual contribution	<u>(25,754)</u>
Increase in Net OPEB obligation	56,532
Net OPEB obligation, June 30, 2017	\$ 789,627

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, 2017, 2016, and 2015 was as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual OPEB cost	\$ 82,286	97,207	98,294
Percent of annual OPEB cost contributed	31%	43%	38%
Net OPEB obligation at end of year	789,627	733,095	677,292

Funding Status and Funding Progress - As the Town has chosen to fund OPEB liabilities on a pay-as-you-go basis, the plan has no net position. As of June 30, 2017, the most recent actuarial valuation date, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$ 951,928
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	951,928
Funded ratio	0.00%
Covered payroll (annual payroll of active employees covered by the plan)	4,818,986
UAAL as a percentage of covered payroll	19.75%

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:

- Measurement date - 1/1/2017
- Actuarial cost method - Entry Age Normal
- Amortization method - Level dollar open over 30 year period

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

IV. OTHER INFORMATION, CONTINUED

G. Postemployment Benefits, Continued

Actuarial assumptions:

Discount rate	4.0%
Rate of salary increases	2.75%
Ultimate rate of medical inflation	4.0%

Healthcare trend rates	FYE	Pre-Medicare Blended	Medicare
	2018	8.46%	8.27%
2019	8.15%	8.00%	
2020	7.83%	7.72%	
2021	7.51%	7.44%	
2022	7.20%	7.15%	

H. Maine Public Employees Retirement System

General Information about the Pension Plan

Plan Description - Employees of the Town are provided with pensions through the Maine Public Employees Retirement System Consolidated Plan for Local Participating Districts (PLD Plan) and teaching-certified employees of the Town are provided with pensions through the Maine Public Employees Retirement System State Employee and Teacher Plan (SET Plan), cost-sharing multiple-employer defined benefit pension plans, administered by the Maine Public Employees Retirement System (MPERS). Benefit terms are established in Maine statute. MPERS issues a publicly available financial report that can be obtained at www.maineopers.org.

Benefits Provided - The PLD and SET Plans provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit. In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For PLD members, normal retirement age is 60 (65 for new members to the PLD Plan on or after July 1, 2014). For SETP members, normal retirement age is 60, 62, or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. MPERS also provides disability and death benefits, which are established by contract under applicable statutory provisions (PLD Plan) or by statute (SET Plan).

Contributions - Employee contribution rates are defined by law or Board rule and depend on the terms of the plan under which an employee is covered. Employer contributions are determined by actuarial valuations. The contractually required contribution rates are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

PLD Plan - Employees are required to contribute 8.0% to 9.5% of their annual pay. The Town's contractually required contribution rates for the year ended June 30, 2017 were 9.5% to 11.4% of annual payroll. Contributions to the pension plan from the Town were \$457,951 for the year ended June 30, 2017.

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

IV. OTHER INFORMATION, CONTINUED

H. Maine Public Employees Retirement System, Continued

SET Plan - Maine statute requires the State to contribute a portion of the Town's contractually required contributions. Employees are required to contribute 7.65% of their annual pay. The Town's contractually required contribution rate for the year ended June 30, 2017, was 13.38% of annual payroll of which 3.36% of payroll was required from the Town and 10.02% was required from the State. Contributions to the pension plan from the Town were \$611,261 for the year ended June 30, 2017.

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

The net pension liabilities were measured as of June 30, 2016, and the total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of that date. The Town's proportion of the net pension liabilities were based on projections of the Town's long-term share of contributions to the pension plans relative to the projected contributions of all participating local districts (PLD Plan) and of all participating School Administrative Units and the State (SET Plan), actuarially determined.

PLD Plan - At June 30, 2017, the Town reported a liability of \$4,408,796 for its proportionate share of the net pension liability. At June 30, 2016, the Town's proportion of the PLD Plan was 0.8298%.

SET Plan - At June 30, 2017, the Town reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the Town. The amount recognized by the Town as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Town were as follows:

Town's proportionate share of the net pension liability	\$ 90,488
State's proportionate share of the net pension liability	
associated with the Town	25,678,122
Total	\$ 25,768,610

At June 30, 2016, the Town's proportion of the SET Plan was 0.0051%.

For the year ended June 30, 2017, the Town recognized pension expense of \$791,767 for the PLD Plan and \$2,527,929 for the SET Plan with revenue of \$1,822,866 for support provided by the State. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	228,545
Changes of assumptions	470,310	-
Net difference between projected and actual earnings on pension plan investments	968,201	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	39,581	-
Town contributions subsequent to the measurement date	1,069,212	-
Total	\$ 2,547,304	228,545

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

IV. OTHER INFORMATION, CONTINUED

H. Maine Public Employees Retirement System, Continued

\$1,069,212 is reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liabilities in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2018	\$ 261,142
2019	163,969
2020	565,855
2021	258,581

Actuarial Assumptions - The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>PLD Plan</u>	<u>SET Plan</u>
Inflation	2.75%	2.75%
Salary increases, per year	2.75% to 9.0%	2.75% to 14.5%
Investment return, per annum, compounded annually	6.875%	6.875%
Cost of living benefit increases, per annum	2.20%	2.20%

Mortality rates were based on the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period June 30, 2012 to June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US equities	20%	5.7%
Non-US equities	20%	5.5%
Private equity	10%	7.6%
Real estate	10%	5.2%
Infrastructure	10%	5.3%
Hard assets	5%	5.0%
Fixed income	25%	2.9%
Total	100%	

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

IV. OTHER INFORMATION, CONTINUED

H. Maine Public Employees Retirement System, Continued

Discount Rate - The discount rate used to measure the total pension liability was 6.875% for the PLD Plan and the SET Plan. The projection of cash flows used to determine the discount rates assumed that employee contributions will be made at the current contribution rate and that contributions from participating local districts will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liabilities.

Sensitivity of the Town's Proportionate Share of the Net Pension Liabilities to Changes in the Discount Rate

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.875% for the PLD Plan and the SET Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.875% for PLD Plan and SET Plan) or 1 percentage-point higher (7.875% for PLD Plan and SET Plan) than the current rate:

<u>PLD Plan</u>	1% Decrease <u>(5.875%)</u>	Current Discount Rate <u>(6.875%)</u>	1% Increase <u>(7.875%)</u>
Town's proportionate share of the net pension liability	\$ 7,317,808	\$ 4,408,796	\$ 1,670,066
<u>SET Plan</u>	1% Decrease <u>(5.875%)</u>	Current Discount Rate <u>(6.875%)</u>	1% Increase <u>(7.875%)</u>
Town's proportionate share of the net pension liability	\$ 144,895	\$ 90,488	\$ 45,141

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS financial report.

Payables to the Pension Plan - None as of June 30, 2017.

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	01/01/11	-	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%
2014	01/01/14	-	931,444	931,444	0.00%	4,033,891	23.1%
2015	01/01/14	-	931,444	931,444	0.00%	4,338,165	21.5%
2016	01/01/14	-	931,444	931,444	0.00%	3,590,511	25.9%
2017	01/01/17	-	951,928	951,928	0.00%	4,818,986	19.8%

TOWN OF FALMOUTH, MAINE
Required Supplementary Information, Continued

Schedule of Town's Proportionate Share of the Net Pension Liability
Maine Public Employees Retirement System Consolidated Plan (PLD) and State Employee and Teacher Plan (SET)
 Last 10 Fiscal Years*

	<u>2017**</u>	<u>2016**</u>	<u>2015**</u>
<u>PLD Plan</u>			
Town's proportion of the net pension liability	0.8298%	0.8133%	0.8283%
Town's proportionate share of the net pension liability	\$ 4,408,796	2,594,797	1,274,581
Town's covered payroll	4,252,672	4,150,350	3,881,506
Town's proportion share of the net pension liability as a percentage of its covered payroll	103.67%	62.52%	32.84%
Plan fiduciary net position as a percentage of the total pension liability	81.61%	88.27%	94.10%
<u>SET Plan</u>			
Town's proportion of the net pension liability	0.0051%	0.0073%	0.0040%
Town's proportionate share of the net pension liability	90,488	98,829	43,537
State's proportionate share of the net pension liability associated with the Town	25,678,122	19,059,269	14,865,081
<u>Total</u>	<u>\$ 25,768,610</u>	<u>19,158,098</u>	<u>14,908,618</u>
Town's covered payroll	\$ 17,118,347	16,284,832	15,456,627
Town's proportion share of the net pension liability as a percentage of its covered payroll	0.53%	0.61%	0.28%
Plan fiduciary net position as a percentage of the total pension liability	76.21%	81.18%	83.91%

* Only three years of information available

** The amounts presented for each fiscal year were determined as of the prior fiscal year.

TOWN OF FALMOUTH, MAINE
Required Supplementary Information, Continued

Schedule of Town Contributions
Maine Public Employees Retirement System Consolidated Plan (PLD) and State Employee and Teacher Plan (SET)
 Last 10 Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>PLD Plan</u>				
Contractually required contribution	\$ 457,951	388,217	328,128	264,303
Contributions in relation to the contractually required contribution	(457,951)	(388,217)	(328,128)	(264,303)
<u>Contribution deficiency (excess)</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Town's covered payroll	4,645,209	4,252,672	4,150,350	3,881,506
Contributions as a percentage of covered payroll	9.86%	9.13%	7.91%	6.81%
<u>SET Plan</u>				
Contractually required contribution	\$ 611,261	575,212	431,548	409,601
Contributions in relation to the contractually required contribution	(611,261)	(575,212)	(431,548)	(409,601)
<u>Contribution deficiency (excess)</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Town's covered payroll	18,192,280	17,118,347	16,284,832	15,456,627
Contributions as a percentage of covered payroll	3.36%	3.36%	2.65%	2.65%

* Only four years of information available.

TOWN OF FALMOUTH, MAINE
Notes to Required Supplementary Information

Changes of Benefit Terms - None

Changes of Assumptions - The following are changes in actuarial assumptions used in the most recent valuation:

	<u>2017</u>	<u>2016</u>
Discount rate	6.875%	7.125%
Inflation rate	2.75%	3.5%
Salary increases – PLD Plan	2.75% to 9.0%	3.5% to 9.5%
Salary increases – SET Plan	2.75% to 14.5%	3.5% to 13.5%
Cost of living increase	2.20%	2.55%
Long-term expected real rate of return on assets:		
US equities	5.7%	5.2%
Real estate	5.2%	3.7%
Infrastructure	5.3%	4.0%
Hard assets	5.0%	4.8%
Fixed income	2.9%	0.7%

In addition, mortality rates were previously based on the RP2000 Combined Mortality Table projected forward to 2015 using Scale AA, which, in the most recent valuation, changed to mortality rates that were based on the RP2014 Total Data Set Healthy Annuity Mortality Table.

CAPITAL PROJECTS FUND

TOWN OF FALMOUTH, MAINE
Capital Projects Fund
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2017

	Balances beginning of year	Revenues		Expenditures	Transfers in (out)	Balances end of year
		Inter- governmental	Other			
Town projects:						
310 Energy efficiency	\$ 31,129	-	-	-	16,000	47,129
311 Food pantry	1,189	-	-	-	-	1,189
312 Town hall office	88,715	-	-	4,389	-	84,326
313 General government renovation	65,185	-	-	-	49,400	114,585
315 General government vehicles	52,792	-	-	7,587	228	45,433
316 Rail road crossing	52,000	-	-	-	-	52,000
318 Computers	99,368	-	-	40,237	95,000	154,131
319 Cable TV	175,959	-	15,360	2,983	9,000	197,336
322 Police small equipment	32,910	2,000	-	6,330	10,000	38,580
323 Police vehicles	58,889	-	-	62,182	51,500	48,207
324 PD communications	32,701	-	-	51,829	143,299	124,171
325 Harbor equipment	43,133	-	-	5,503	23,000	60,630
326 Fire department building	130,844	-	-	109,216	40,000	61,628
327 Fire department equipment	323,678	-	17,100	457,434	482,974	366,318
328 Public works building and equipment	21,612	-	-	68,931	65,000	17,681
329 Public works heavy equipment	108,682	-	-	147,459	165,000	126,223
330 Public works streets	2,426,614	208,642	-	1,122,433	(181,070)	1,331,753
332 Transfer station equipment	34,830	-	-	-	10,000	44,830
334 Parks renovation	276,370	-	-	39,795	38,035	274,610
335 Parks equipment	31,665	-	8,230	41,165	13,000	11,730
336 River point bridge	11,281	-	-	24,850	13,569	-
337 Community center	86,108	-	-	182,176	192,000	95,932
339 Community program vehicles	41,069	-	-	-	12,000	53,069
341 Open spaces	198,513	331,460	1	400,313	100,000	229,661
342 Capital street lights	-	-	-	-	70,000	70,000
Total town capital projects	\$ 4,425,236	542,102	40,691	2,774,812	1,417,935	3,651,152

TOWN OF FALMOUTH, MAINE
Capital Projects Fund
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2017

		Balances (deficits) beginning of year	Revenues		Expenditures	Transfers in (out)	Balances (deficits) end of year
			Inter- governmental	Other			
School projects:							
0301	Elementary school construction	\$ 1,441,309	-	36,100	-	-	1,477,409
0400	Other school capital	(3,240)	-	-	-	-	(3,240)
0401	Stadium restroom	-	-	-	1,250	-	(1,250)
	Total school capital projects	1,438,069	-	36,100	1,250	-	1,472,919
	Total capital projects fund	\$ 5,863,305	542,102	76,791	2,776,062	1,417,935	5,124,071

OTHER GOVERNMENTAL FUNDS

NONMAJOR SPECIAL REVENUE FUNDS

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

Town Special Revenue Funds – This fund is used to account for unbudgeted self-sustaining municipal programs.

Oceanview Natural Gas TIF – This fund is used to account for the development and expansion of natural gas near the OceanView retirement community.

Route 1 North TIF – This fund is used to account for approved economic development projects along the north bound side of Route 1 in the Town of Falmouth, Maine.

Route 1 South TIF – This fund is used to account for approved economic development projects along the south bound side of Route 1 in the Town of Falmouth, Maine.

West Falmouth TIF – This fund is used to account for approved economic development projects near the west Falmouth shopping center.

School Special Revenue Funds – This fund is used to account for various Federal and State categorical grants for special programs administered by the School Department. This fund also accounts for various other non-grant funded self-sustaining school department programs.

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

NONMAJOR 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.

TOWN OF FALMOUTH, MAINE
Other Governmental Funds
Combining Balance Sheet
June 30, 2017

	Nonmajor Special Revenue Funds	Nonmajor Permanent Fund	Total Other Governmental Funds
ASSETS			
Cash and cash equivalents	\$ -	9,648	9,648
Accounts receivable	55,611	-	55,611
Due from other governments	144,327	-	144,327
Due from other funds	7,186,199	-	7,186,199
Inventory	25,017	-	25,017
Total assets	\$ 7,411,154	9,648	7,420,802
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	84,327	-	84,327
Accrued payroll	40,736	-	40,736
Due to other funds	60,028	-	60,028
Total liabilities	185,091	-	185,091
Fund balances:			
Nonspendable	25,017	9,648	34,665
Restricted	6,148,502	-	6,148,502
Committed	1,154,993	-	1,154,993
Unassigned	(102,449)	-	(102,449)
Total fund balances	7,226,063	9,648	7,235,711
Total liabilities and fund balances	\$ 7,411,154	9,648	7,420,802

TOWN OF FALMOUTH, MAINE
Other Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2017

	Nonmajor Special Revenue Funds	Nonmajor Permanent Fund	Total Other Governmental Funds
Revenues:			
Taxes	\$ 2,518,263	-	2,518,263
Intergovernmental	645,702	-	645,702
Charges for services	2,531,996	-	2,531,996
Investment income	-	8	8
Miscellaneous	178,232	-	178,232
Total revenues	5,874,193	8	5,874,201
Expenditures:			
General government	140,735	-	140,735
Public safety	42,127	-	42,127
Public works	394,827	-	394,827
Community development	1,282,997	-	1,282,997
Community programs and parks	830,974	-	830,974
Education	1,177,525	-	1,177,525
Food service	863,875	-	863,875
Non-departmental	20,143	-	20,143
Debt service:			
Principal	590,000	-	590,000
Interest	206,813	-	206,813
Capital outlay:			
Capital improvements	280,557	-	280,557
Total expenditures	5,830,573	-	5,830,573
Excess (deficiency) of revenues over (under) expenditures	43,620	8	43,628
Other financing sources (uses):			
Transfers In	165,026	-	165,026
Transfers out	(20,000)	-	(20,000)
Total other financing sources (uses)	145,026	-	145,026
Net change in fund balances	188,646	8	188,654
Fund balances - beginning of year, as restated	7,037,417	9,640	7,047,057
Fund balances - end of year	\$ 7,226,063	9,648	7,235,711

TOWN OF FALMOUTH, MAINE
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2017

	Town Special Revenue Funds	Oceanview Natural Gas TIF	Route 1 North TIF	Route 1 South TIF	West Falmouth TIF	School Special Revenue Funds	School Lunch Program	Total Nonmajor Special Revenue Funds
ASSETS								
Accounts receivable	\$ -	-	-	-	-	55,611	-	55,611
Due from other governments	-	-	-	-	-	137,202	7,125	144,327
Due from other funds	1,038,646	175,648	3,003,676	1,105,142	1,731,164	-	131,923	7,186,199
Inventory	-	-	-	-	-	-	25,017	25,017
Total assets	\$ 1,038,646	175,648	3,003,676	1,105,142	1,731,164	192,813	164,065	7,411,154
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	48,347	-	285	-	13,485	21,961	249	84,327
Accrued payroll	32,679	1,981	1,755	1,755	2,566	-	-	40,736
Due to other funds	-	-	-	-	-	60,028	-	60,028
Total liabilities	81,026	1,981	2,040	1,755	16,051	81,989	249	185,091
Fund balances:								
Nonspendable	-	-	-	-	-	-	25,017	25,017
Restricted	3,260	173,667	3,001,636	1,103,387	1,715,113	12,640	138,799	6,148,502
Committed	956,663	-	-	-	-	198,330	-	1,154,993
Unassigned	(2,303)	-	-	-	-	(100,146)	-	(102,449)
Total fund balances	957,620	173,667	3,001,636	1,103,387	1,715,113	110,824	163,816	7,226,063
Total liabilities and fund balances	\$ 1,038,646	175,648	3,003,676	1,105,142	1,731,164	192,813	164,065	7,411,154

TOWN OF FALMOUTH, MAINE
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2017

	Town Special Revenue Funds (Schedule 1)	Oceanview Natural Gas TIF	Route 1 North TIF	Route 1 South TIF	West Falmouth TIF	School Special Revenue Funds (Schedule 2)	School Lunch Program	Total Nonmajor Special Revenue Funds
REVENUES								
Taxes	\$ -	357,434	391,015	955,031	814,783	-	-	2,518,263
Intergovernmental	30,820	-	-	-	-	502,297	112,585	645,702
Charges for services	1,168,638	-	-	-	-	575,857	787,501	2,531,996
Miscellaneous	83,346	-	-	-	-	94,886	-	178,232
Total revenues	1,282,804	357,434	391,015	955,031	814,783	1,173,040	900,086	5,874,193
EXPENDITURES								
Current:								
General government	140,735	-	-	-	-	-	-	140,735
Public safety	42,127	-	-	-	-	-	-	42,127
Public works	394,827	-	-	-	-	-	-	394,827
Community development	-	507,414	125,566	56,455	593,562	-	-	1,282,997
Community programs and parks	830,974	-	-	-	-	-	-	830,974
Education	-	-	-	-	-	1,177,525	-	1,177,525
Food service	-	-	-	-	-	-	863,875	863,875
Non-departmental	20,143	-	-	-	-	-	-	20,143
Debt service:								
Principal	-	-	-	590,000	-	-	-	590,000
Interest	-	-	-	206,813	-	-	-	206,813
Capital outlay:								
Capital improvements	-	-	-	280,557	-	-	-	280,557
Total expenditures	1,428,806	507,414	125,566	1,133,825	593,562	1,177,525	863,875	5,830,573
Excess (deficiency) of revenues over (under) expenditures	(146,002)	(149,980)	265,449	(178,794)	221,221	(4,485)	36,211	43,620
Other financing sources (uses):								
Transfers in	39,026	126,000	-	-	-	-	-	165,026
Transfers out	-	-	-	(20,000)	-	-	-	(20,000)
Total other financing sources (uses)	39,026	126,000	-	(20,000)	-	-	-	145,026
Net change in fund balances	(106,976)	(23,980)	265,449	(198,794)	221,221	(4,485)	36,211	188,646
Fund balances - beginning, as restated	1,064,596	197,647	2,736,187	1,302,181	1,493,892	115,309	127,605	7,037,417
Fund balances - ending	\$ 957,620	173,667	3,001,636	1,103,387	1,715,113	110,824	163,816	7,226,063

SCHEDULES

TOWN OF FALMOUTH, MAINE
Town Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	Balances (deficits) beginning of year	Revenues		Expenditures	Transfers in (out)	Balances (deficits) end of year
		Inter- governmental	Other			
General Government:						
Other programs - committed						
210 Employee bottle money	\$ 3,529	-	-	121	-	3,408
211 Wellness	8,711	-	3,344	12,423	7,100	6,732
212 Veterans memorial	10,880	-	-	243	-	10,637
213 General assistance	44,451	-	-	-	-	44,451
222 Subdivision inspections	185,574	-	-	-	(185,574)	-
223 Comp plan maps	14,834	-	-	1,051	9,000	22,783
224 Property revaluations	40,000	-	-	-	20,000	60,000
225 Land use ordinances	29,171	-	-	24,374	-	4,797
226 Invasive	1,293	-	-	12,432	16,500	5,361
232 Development notices	-	-	3,225	2,372	-	853
233 Town tercentennial	-	-	3,500	55,756	124,000	71,744
234 Town very merry weekend	-	-	9,660	31,963	20,000	(2,303)
Total general government	338,443	-	19,729	140,735	11,026	228,463
Public safety:						
Federal/state programs - restricted						
214 Police detail	90,640	25,570	-	37,950	(75,000)	3,260
Other programs - committed						
215 Police communication	3,216	5,250	-	1,258	-	7,208
217 EMS scholarships	11,164	-	3,990	-	-	15,154
218 Fire EMS detail	19,061	-	11,311	2,919	-	27,453
Total public safety	124,081	30,820	15,301	42,127	(75,000)	53,075
Public works:						
Other programs - committed						
219 Street permits	23,711	-	17,983	-	-	41,694
220 Disposal bags	430,254	-	402,070	394,827	(1,384)	436,113
221 Compost bins	(1,384)	-	-	-	1,384	-
Total public works	452,581	-	420,053	394,827	-	477,807
Community programs and parks:						
Other programs - committed						
228 Conservation corp.	3,803	-	500	409	-	3,894
229 Recreation	108,051	-	748,585	830,270	103,000	129,366
231 Sustainability	-	-	1,600	295	-	1,305
Total community programs and parks	111,854	-	750,685	830,974	103,000	134,565
Non-departmental:						
Other programs - committed						
227 Parts maintenance	37,637	-	27,216	10,127	-	54,726
235 Natural gas expansion	-	-	19,000	10,016	-	8,984
Total non-departmental	37,637	-	46,216	20,143	-	63,710
Total Town special revenue funds	\$ 1,064,596	30,820	1,251,984	1,428,806	39,026	957,620

TOWN OF FALMOUTH, MAINE
School Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	Restated Balances (deficits) beginning of year	Revenues			Expenditures	Balances (deficits) end of year
		Inter- governmental	Other			
Federal and State Grants - Restricted:						
223 Transition grant proficiency	\$ -	28,923	-		26,483	2,440
230 Title I NCLB disadvantaged	(50)	49,025	-		49,025	(50)
246 Maine care	2,798	-	-		1,936	862
247 Local entitlement	580	390,698	-		426,688	(35,410)
251 Preschool handicapped	-	4,821	-		4,821	-
270 Title IIA supporting effective instruction	(328)	28,830	-		28,830	(328)
Total federal and state grants - restricted	3,000	502,297	-		537,783	(32,486)
Other Programs - Restricted:						
224 Flu clinic reimbursement fund	4,369	-	6,580		3,297	7,652
720 PTO mini grants	(1,069)	-	-		-	(1,069)
721 Dickenson family grant	(154)	-	-		-	(154)
723 Andrea Soule trust	15,258	-	-		14,267	991
904 FEF grants	(3,235)	-	13,762		13,762	(3,235)
910 Lacrosse booster	(17,291)	-	-		-	(17,291)
912 Football boosters	(78)	-	1,440		1,362	-
914 JV Hockey boosters	(1,917)	-	5,170		3,253	-
916 Nordic ski boosters	(104)	-	104		-	-
917 Volleyball boosters	-	-	3,327		3,327	-
918 Baseball booster	(621)	-	-		3,511	(4,132)
920 Girls hockey	(966)	-	1,840		874	-
921 Swimming	(418)	-	1,500		1,082	-
950 Indoor track	(1)	-	1		-	-
952 Cross country	-	-	702		702	-
953 Boys soccer	-	-	-		1,046	(1,046)
954 Girls soccer	-	-	450		-	450
955 Field hockey	-	-	6,763		6,888	(125)
957 Boys basketball	-	-	900		900	-
958 Girls basketball	-	-	900		900	-
959 Ice hockey	2,514	-	5,167		7,681	-
960 Boys lacrosse	(2,654)	-	-		360	(3,014)
961 Girls lacrosse	(11,290)	-	-		3,158	(14,448)
962 Softball	(470)	-	470		-	-
963 Boys tennis	(383)	-	628		-	245
Total other programs - restricted	\$ (18,510)	-	49,704		66,370	(35,176)

TOWN OF FALMOUTH, MAINE
School Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	Restated Balances (deficits) beginning of year	Revenues		Expenditures	Balances (deficits) end of year
		Inter- governmental	Other		
Other Programs - Committed:					
701 USM mentor training	\$ 1,012	-	-	-	1,012
702 Harrogate	5,216	-	39,662	40,137	4,741
703 FEF greenhouse	(25,696)	-	40,000	17,786	(3,482)
704 HS sculpture project	-	-	10,000	20,000	(10,000)
706 FES library fund	-	-	1,200	1,196	4
707 Kieve	-	-	43,687	40,107	3,580
708 Quebec trip	-	-	77,190	68,558	8,632
712 Alliance to save energy grant	-	-	5,000	-	5,000
715 Lunt play and learn	10,962	-	-	-	10,962
718 Childcare	4,844	-	267,835	262,300	10,379
730 Athletics capital fund	36,677	-	24,695	17,898	43,474
735 Turf field	21,941	-	2,313	-	24,254
740 Facilities rental fund	4,467	-	3,874	307	8,034
750 Middle school playground	11,895	-	-	-	11,895
760 Laptop insurance	23,166	-	14,265	21,664	15,767
762 HS laptop purchases fund	-	-	100	-	100
785 Discovery pathway	784	-	-	757	27
787 Score for safe passage	123	-	-	-	123
791 School store	-	-	-	1,749	(1,749)
900 HS AP testing	1,000	-	53,294	54,476	(182)
901 High school summer academy	(673)	-	-	-	(673)
905 Chinese exchange program	38,562	-	19,000	9,000	48,562
906 MS summer academy	(447)	-	680	773	(540)
907 FES summer academy	(3,218)	-	-	-	(3,218)
980 Theater boosters	204	-	18,244	16,664	1,784
Total other programs - committed	130,819	-	621,039	573,372	178,486
Total school special revenue funds	\$ 115,309	502,297	670,743	1,177,525	110,824

TOWN OF FALMOUTH, MAINE
School Private-purpose Trusts
Schedule of Changes in Fiduciary Net Position
For the Year Ended June 30, 2017

		Restated	Additions			Deductions	Net Position
		Net Position					Net Position
		July 1, 2016	Donations	Other			June 30, 2017
725	Ballenger Memorial Fund	\$ -	362	-	-	-	362
781	Karen Boffa Camp Scholarship	541	-	-	285	-	256
783	Class of 1995 Scholarship	500	-	-	-	-	500
784	Clayton Thomas Scholarship	4,291	2,635	-	4,500	-	2,426
788	Leola West Scholarship	35,240	-	254	1,000	-	34,494
789	Elmer Holding Trust Fund	36,714	-	-	30,095	-	6,619
790	Jim Caldwell Scholarship	400	200	-	-	-	600
791	Blaze Scholarship	1,000	-	-	500	-	500
N/A	Scholarships - other	73,170	16,240	24	18,140	-	71,294
Total private purpose trust funds		\$ 151,856	19,437	278	54,520	-	117,051

TOWN OF FALMOUTH, MAINE
Combining Schedule of Fiduciary Net Position
Agency Funds
June 30, 2017

	Student Activity Funds	Performance Guarantees	Total
ASSETS			
Cash and cash equivalents	\$ 284,555	6,960	291,515
Due from other funds	-	418,306	418,306
Total assets	\$ 284,555	425,266	709,821
LIABILITIES			
Held for student activities	284,555	-	284,555
Held for performance guarantees	-	425,266	425,266
Total liabilities	\$ 284,555	425,266	709,821

TOWN OF FALMOUTH, MAINE
Schedule of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
ASSETS				
Student activity funds	\$ 261,171	358,878	335,494	284,555
Performance guarantees	437,146	230,608	242,488	425,266
Total assets	\$ 698,317	589,486	577,982	709,821
LIABILITIES				
Accounts payable	15,370	-	15,370	-
Funds held for student activities	261,171	358,878	335,494	284,555
Funds held for performance guarantees	421,776	230,608	227,118	425,266
Total liabilities	\$ 698,317	589,486	577,982	709,821

TOWN OF FALMOUTH, MAINE
Detailed Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
SCHOOL ACTIVITIES				
ASSETS				
Cash and cash equivalents	\$ 261,171	358,878	335,494	284,555
Total assets	\$ 261,171	358,878	335,494	284,555
LIABILITIES				
Funds held for student activities	261,171	358,878	335,494	284,555
Total liabilities	\$ 261,171	358,878	335,494	284,555
PERFORMANCE GUARANTEES				
ASSETS				
Cash and cash equivalents	\$ 6,959	1	-	6,960
Due from other funds	430,187	230,607	242,488	418,306
Total assets	\$ 437,146	230,608	242,488	425,266
LIABILITIES				
Accounts payable	15,370	-	15,370	-
Funds held for performance guarantees	421,776	230,608	227,118	425,266
Total liabilities	\$ 437,146	230,608	242,488	425,266

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>	5-7
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>	8-11
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>	12-13
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>	14-15

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
Net investment in capital assets	\$ 25,877,739	29,243,561	29,598,688	24,544,049	30,753,086	38,256,352	41,041,245	45,611,250	50,126,899	54,205,024
Restricted	9,569	81,535	804,873	9,973,196	6,781,723	6,251,719	8,483,144	8,172,054	7,183,760	7,292,627
Unrestricted	19,635,651	19,327,347	20,899,310	18,275,885	17,068,952	18,026,092	16,042,959	13,477,736	13,579,352	12,442,430
Total governmental activities net position	\$ 45,522,959	48,652,443	51,302,871	52,793,130	54,603,761	62,534,163	65,567,348	67,261,040	70,890,011	73,940,081
Business-type activities:										
Net investment in capital assets	\$ 10,688,897	11,097,823	12,375,251	12,227,194	12,088,052	12,175,806	11,938,638	11,954,332	12,719,464	16,347,707
Unrestricted	2,574,400	2,161,608	2,393,447	2,574,430	2,715,432	2,664,461	3,029,652	3,231,839	3,082,322	3,507,536
Total business-type activities net position	\$ 13,263,297	13,259,431	14,768,698	14,801,624	14,803,484	14,840,267	14,968,290	15,186,171	15,801,786	19,855,243
Primary government:										
Net investment in capital assets	\$ 36,566,636	40,341,384	41,973,939	36,771,242	42,841,138	50,432,158	52,979,883	57,565,582	62,846,363	70,552,731
Restricted	9,569	81,535	804,873	9,973,196	6,781,723	6,251,719	8,483,144	8,172,054	7,183,760	7,292,627
Unrestricted	22,210,051	21,488,955	23,292,757	20,850,316	19,784,384	20,690,553	19,072,611	16,709,575	16,661,674	15,949,966
Total primary government net position	\$ 58,786,256	61,911,874	66,071,569	67,594,754	69,407,245	77,374,430	80,535,638	82,447,211	86,691,797	93,795,324

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	\$ 2,742,510	2,580,559	3,408,826	3,289,549	3,320,569	3,182,216	3,586,007	3,683,548	4,575,776	4,232,225
Financial management	1,015,760	1,080,745	943,712	952,802	1,057,419	1,060,159	978,002	1,049,103	1,204,538	1,121,047
Public safety	3,740,309	3,549,819	3,598,536	3,668,031	3,922,211	3,828,094	4,093,811	4,419,078	4,533,160	4,797,396
Public works	4,352,382	4,505,857	3,929,553	4,219,050	3,298,303	3,270,196	4,236,453	2,957,355	3,209,514	2,750,978
Community development	552,935	579,745	545,659	1,047,470	1,035,617	619,971	578,546	2,069,053	1,279,967	1,915,659
Community programs and parks	1,270,290	1,156,579	1,028,244	1,027,630	1,219,430	948,169	1,080,035	1,270,322	1,329,529	1,459,140
Education	27,096,801	27,137,788	26,776,233	27,994,675	31,919,090	29,224,616	31,460,774	32,903,013	34,427,522	36,324,140
Interest on long-term debt	930,580	852,764	771,046	607,485	1,617,393	1,659,562	1,618,608	1,768,827	1,662,539	1,555,660
Central garage	-	-	-	-	-	218,903	203,205	239,277	254,384	265,811
Total governmental activities expenses	41,701,567	41,443,856	41,001,809	42,806,692	47,390,032	44,011,886	47,835,441	50,359,576	52,476,929	54,422,056
Business-type activities:										
Wastewater treatment	1,843,118	1,905,319	1,966,602	1,928,995	1,950,836	1,991,986	1,896,432	2,051,999	1,952,806	2,259,793
Total business-type activities expenses	1,843,118	1,905,319	1,966,602	1,928,995	1,950,836	1,991,986	1,896,432	2,051,999	1,952,806	2,259,793
Total primary government expenses	\$ 43,544,685	43,349,175	42,968,411	44,735,687	49,340,868	46,003,872	49,731,873	52,411,575	54,429,735	56,681,849
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 297,705	298,462	201,119	189,795	219,992	234,962	351,006	388,559	354,297	412,884
Financial management	70,318	81,424	75,832	71,604	39,720	51,160	-	-	53,247	52,396
Public safety	390,416	453,270	522,406	669,934	707,946	747,310	720,216	626,114	662,920	640,104
Public works	2,240,649	2,392,881	2,304,273	2,533,358	2,871,751	2,615,975	495,178	510,650	500,059	466,343
Community development	172,891	158,895	132,975	81,513	103,111	-	11,252	33,042	62,507	105,175
Community programs and parks	658,946	617,505	585,783	4,007	3,066	508,819	655,725	546,224	644,853	750,775
Education	50,872	768,100	707,912	184,679	192,766	166,812	234,653	1,128,358	1,209,994	1,501,674
Central garage	-	-	-	-	-	238,896	206,343	1,412	1,463	669
Operating grants and activities	10,541,882	10,671,464	9,874,139	10,532,867	10,368,451	11,241,851	11,707,971	12,357,354	11,872,141	12,207,192
Capital grants and contributions	-	-	66,430	526,643	4,468,498	1,270,929	198,649	241,118	1,237,845	582,792
Total governmental activities program revenues	14,423,679	15,442,001	14,470,869	14,794,399	18,975,301	17,076,714	14,580,993	15,832,831	16,599,326	16,720,004

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Business-type activities:										
Charges for services:										
Wastewater treatment	\$ 2,008,539	1,901,453	1,892,069	1,893,277	1,932,503	1,932,503	1,692,615	1,750,443	1,767,660	1,918,549
Operating grants and contributions	-	-	-	-	-	-	326,673	380,737	340,647	386,185
Capital grants and contributions	99,600	-	1,583,800	68,645	20,193	20,193	-	132,600	-	4,000,000
Total business-type activities program revenues	2,108,139	1,901,453	3,475,869	1,961,922	1,952,696	1,952,696	2,019,288	2,263,780	2,108,307	6,304,734
Total primary government program revenues	\$ 16,531,818	17,343,454	17,946,738	16,756,321	20,927,997	19,029,410	16,600,281	18,096,611	18,707,633	23,024,738
Net (expense)/revenue										
Governmental activities	\$ (27,277,888)	(26,001,855)	(26,530,940)	(28,012,292)	(28,414,731)	(28,414,731)	(33,254,448)	(34,526,745)	(35,877,603)	(37,702,052)
Business-type activities	265,021	(3,866)	1,509,267	32,926	1,859	1,859	122,856	211,781	155,501	4,044,941
Total primary government net expense	\$ (27,012,867)	(26,005,721)	(25,021,673)	(27,979,366)	(28,412,872)	(28,412,872)	(33,131,592)	(34,314,964)	(35,722,102)	(33,657,111)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 24,293,164	25,591,788	25,860,056	26,155,485	27,578,490	27,578,490	32,220,901	32,854,038	34,630,748	36,046,143
Excise taxes	2,399,624	2,293,503	2,317,152	2,364,465	2,384,488	2,384,488	2,911,618	3,040,917	3,138,658	3,224,489
Cable TV franchise fees	167,229	175,727	187,195	148,241	209,381	209,381	210,542	210,467	211,124	220,144
Unrestricted grants and contributions	904,046	821,891	694,461	646,733	674,047	674,047	796,872	776,762	886,641	941,537
Investment earnings	594,743	211,170	56,120	33,885	37,596	37,596	80,141	94,277	211,542	168,961
Miscellaneous	38,199	37,080	66,564	153,743	230,732	230,732	125,013	88,103	175,471	73,404
Total governmental activities	28,397,005	29,131,159	29,181,548	29,502,551	31,114,734	31,114,734	36,345,087	37,064,564	39,254,184	40,674,678
Business-type activities:										
Investment earnings	-	-	-	-	-	-	5,167	6,100	14,933	8,516
Total business-type activities	-	-	-	-	-	-	5,167	6,100	14,933	8,516
Total primary government	\$ 28,397,005	29,131,159	29,181,548	29,502,551	31,114,734	31,114,734	36,350,254	37,070,664	39,269,117	40,683,194
Change in Net Position										
Governmental activities	1,119,117	3,129,304	2,650,608	1,490,259	2,700,004	2,700,004	3,090,539	2,537,819	3,376,581	2,972,626
Business-type activities	265,021	(3,866)	1,509,267	32,926	1,859	1,859	128,023	217,881	170,434	4,053,457
Total primary government	\$ 1,384,138	3,125,438	4,159,875	1,523,185	2,701,863	2,701,863	3,218,562	2,755,700	3,547,015	7,026,083

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
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
2014	32,221	2,912	35,133
2015	32,854	3,041	35,895
2016	34,631	3,139	37,770
2017	36,046	3,224	39,271

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

	Fiscal Year									
	2008	2009	2010	2011 (a)	2012	2013	2014	2015	2016	2017
General Fund										
Nonspendable	\$ -	-	-	-	65,254	20,011	310,169	308,051	297,332	303,666
Restricted	65,100	64,073	56,735	592,712	577,865	27,110	969,129	785,481	1,048,593	1,109,460
Committed	-	-	-	6,693,591	5,690,995	831,198	-	-	-	-
Assigned	-	-	-	225,108	128,097	87,335	-	-	-	622,000
Unassigned	-	-	-	11,320,374	11,514,542	13,266,470	12,007,853	10,578,837	11,081,063	10,578,586
Unreserved:										
Designated	7,730,226	7,702,412	8,275,624	-	-	-	-	-	-	-
Undesignated	10,012,721	9,892,643	10,172,493	-	-	-	-	-	-	-
Total general fund	\$ 17,808,047	17,659,128	18,504,852	18,831,784	17,976,753	14,232,124	13,287,151	11,672,369	12,426,988	12,613,712
All Other Governmental Funds										
Nonspendable	\$ -	-	-	10,301	18,752	18,752	23,762	23,762	20,097	34,665
Restricted	-	-	-	10,462,258	6,933,139	6,224,010	17,274,179	8,804,120	7,556,379	7,625,911
Committed	-	-	-	-	-	4,844,418	6,815,356	5,737,486	5,561,429	4,806,145
Assigned	-	-	-	568,048	603,322	1,027,392	-	-	-	-
Unassigned	-	-	-	(1,496)	-	(94,834)	(15,653)	(277,897)	(75,687)	(106,939)
Reserved	17,579	19,888	19,898	-	-	-	-	-	-	-
Unreserved, reported in:										
Capital Projects Funds	-	(1,675,410)	(14,026,231)	-	-	-	-	-	-	-
Special revenue funds	2,804,738	2,782,742	3,698,774	-	-	-	-	-	-	-
Total all other governmental funds	\$ 2,822,317	1,127,220	(10,307,559)	11,039,110	7,555,213	12,019,738	24,097,644	14,287,471	13,062,218	12,359,782

(a) GASB 54 was adopted in fiscal year 2011 and prior years were not restated

Table 4

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues:										
Taxes	\$ 27,805,682	29,311,937	29,620,325	30,111,392	31,469,323	33,704,800	35,167,105	35,954,078	37,811,495	39,185,034
Licenses, fees and permits	388,645	407,368	403,230	366,528	412,617	490,400	617,051	448,332	501,876	595,396
Intergovernmental	11,348,643	12,166,850	11,252,927	11,372,188	11,133,290	12,141,113	11,830,853	12,301,393	13,517,559	13,494,737
Charges for services	528,255	552,968	521,217	664,288	732,685	724,432	2,495,788	2,956,653	3,117,773	3,498,945
Fines and forfeitures	44,538	51,634	49,232	73,565	42,193	56,568	50,092	48,245	56,607	54,425
Interest	949,462	327,630	135,694	105,260	43,010	60,619	80,141	94,277	211,542	168,961
Miscellaneous	1,233,109	1,257,594	1,376,194	1,675,396	1,788,185	2,192,289	390,554	1,161,945	654,535	310,189
Total revenues	42,298,334	44,075,981	43,358,819	44,368,618	45,621,303	49,370,221	50,631,584	52,964,923	55,871,387	57,307,687
Expenditures:										
General government	771,415	823,859	1,045,930	1,038,658	1,061,434	1,032,042	1,065,691	1,416,430	1,260,205	1,394,501
Financial management	1,015,760	1,045,976	824,418	870,631	898,317	1,060,159	978,002	1,049,103	1,135,530	1,121,047
Public safety	2,823,757	2,829,745	2,846,123	3,079,808	3,198,606	3,292,596	3,540,345	3,880,849	3,939,272	4,149,690
Public works	2,182,049	1,857,416	1,727,841	1,909,968	1,818,647	2,293,304	2,379,541	2,267,942	2,203,968	2,334,934
Community development	546,948	660,259	620,288	610,355	604,505	619,971	578,546	1,578,173	1,450,815	1,874,220
Community programs and parks	1,147,242	1,130,563	1,005,737	1,070,767	1,098,737	927,687	1,052,917	1,107,795	1,127,438	1,269,768
Education	26,162,517	28,590,190	39,875,382	27,440,999	28,100,902	28,494,449	29,963,464	31,277,421	32,691,751	34,685,068
Non-departmental	822,931	834,067	865,324	983,639	975,792	736,554	765,011	992,149	727,422	680,335
County tax	1,051,052	1,141,698	1,134,475	1,153,336	1,181,421	1,208,849	1,321,522	1,376,320	1,456,279	1,526,360
Reserves	1,569,469	(1,613,503)	(12,029,076)	20,610,734	2,301,946	-	-	-	-	-
Capital Improvements	5,427,253	6,246,849	14,642,338	-	5,827,908	7,689,360	7,990,066	13,560,125	4,724,975	3,056,619
Debt service:										
Principal	1,583,500	1,583,500	1,288,500	1,288,500	1,288,500	3,140,000	3,140,000	3,980,000	3,975,000	3,975,000
Interest	933,502	855,217	870,874	609,000	1,603,518	1,554,806	1,488,006	1,874,932	1,701,331	1,604,001
Total expenditures	46,037,395	45,985,836	54,718,154	60,666,396	49,960,233	52,049,777	54,263,111	64,361,239	56,393,986	57,671,543
Excess (deficiency) of revenues over (under) expenditures	(3,739,061)	(1,909,855)	(11,359,335)	(16,297,778)	(4,338,930)	(2,679,556)	(3,631,527)	(11,396,316)	(522,599)	(363,856)
Other financing sources (uses)										
Transfers in	21,889	285,000	-	-	-	13,837,646	2,937,837	3,277,162	2,301,628	1,672,242
Transfers out	(21,889)	(285,000)	-	-	-	(13,837,646)	(2,937,837)	(3,277,162)	(2,301,628)	(1,672,242)
Bonds issued	-	-	-	47,050,000	-	-	14,400,000	-	1,900,000	-
Payment to bond refunding agent	-	-	-	(9,315,000)	-	-	-	-	(1,969,008)	-
BAN/ bond premiums	-	65,840	770,280	236,378	-	-	421,316	-	120,973	-
Sale of general capital assets	-	-	-	-	-	3,332,054	-	-	-	-
Total other financing sources (uses)	-	65,840	770,280	37,971,378	-	3,332,054	14,821,316	-	51,965	-
Net change in fund balances	\$ (3,739,061)	(1,844,015)	(10,589,055)	21,673,600	(4,338,930)	652,498	11,189,789	(11,396,316)	(470,634)	(363,856)
Debt service as a percentage of noncapital expenditures	5.6%	6.2%	6.1%	5.4%	3.1%	6.8%	9.7%	11.0%	11.0%	10.4%

Table 4-A

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
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	29,849
2013	28,502	434	2,650	31,586
2014	32,221	469	2,912	35,602
2015	32,466	447	3,041	35,954
2016	34,225	447	3,139	37,811
2017	35,399	562	3,224	39,185

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	Total Direct Tax Rate	Estimated Actual Taxable Value (2)	Assessed Value as a Percentage of Actual Value
	Commercial Property	Residential Property						
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	2,222,461	12.35	2,071,900	108.1%
2012	334,324	1,953,295	33,580	77,448	2,243,751	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%
2014	363,625	1,972,150	33,250	81,885	2,287,140	14.12	2,091,550	109.4%
2015	339,224	2,038,131	31,738	80,230	2,328,863	14.10	2,141,950	108.7%
2016	300,226	2,114,789	35,839	82,283	2,368,571	14.63	2,253,100	105.1%
2017	304,730	2,133,953	37,236	86,982	2,388,937	15.09	2,338,100	102.2%

SOURCE: Falmouth Assessor's office.

(1) A revaluation designed to bring assessed values in line with market values was conducted.

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

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

Fiscal Year	Direct			Total Tax Rate
	Town Rate	Education Rate	County Rate (a)	
2008	3.22	10.77	0.61	14.60
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
2014	3.05	10.46	0.61	14.12
2015	3.09	10.42	0.59	14.10
2016	3.00	10.98	0.65	14.63
2017	3.00	11.41	0.68	15.09

(a) Cumberland County assesses a county tax to the Town of Falmouth. The Town includes the county assessment in the Town's total direct tax rate. The rate shown here reflects the portion of the Town's total direct tax rate levied by the Town to pay the county tax assessment.

Table 6

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

<u>Taxpayer</u>	<u>2017</u>			<u>2008</u>		
	<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	\$ 59,987	1	2.51%	\$ 27,594	1	1.57%
ARC	27,681	2	1.16%			
Central Maine Power Co.	23,113	3	0.97%	7,595	9	0.43%
Falmouth Realty Associates	22,212	4	0.93%	17,428	2	0.99%
Falmouth Plaza LLC	16,362	5	0.68%	9,231	5	0.53%
Princeton Falmouth LLC	16,016	6	0.67%	11,437	4	0.65%
Portland Country Club	11,120	7	0.47%	8,943	6	0.51%
Falmouth Ventures LLC	9,238	8	0.39%			
Tyler Technologies, Inc.	8,530	9	0.36%			
Hannaford Bros. Inc.	7,813	10	0.33%	7,717	8	0.44%
Marr Associates LLP				8,736	7	0.50%
West Falmouth Development LLC				17,273	3	0.99%
Woodlands Club				7,407	10	0.42%
Totals	\$ 202,072		8.46%	\$ 123,361		7.03%

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
2008	\$ 25,298	24,739	97.8%	555	25,294	100.0%
2009	27,078	26,454	97.7%	620	27,074	100.0%
2010	27,369	26,699	97.6%	665	27,364	100.0%
2011	27,618	26,969	97.7%	640	27,609	100.0%
2012	29,218	28,330	97.0%	865	29,195	99.9%
2013	30,706	29,509	96.1%	1,169	30,678	99.9%
2014	32,294	31,382	97.2%	880	32,262	99.9%
2015	32,837	31,871	97.1%	933	32,804	99.9%
2016	34,619	33,632	97.1%	797	34,429	99.5%
2017	36,049	35,160	97.5%	-	35,160	97.5%

Table 8

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	Wastewater Revenue Bonds				
2008	\$ 18,414	-	76	6,156		24,646	6.2%	2,290
2009	16,831	8,000	23	5,832		30,686	7.7%	2,835
2010	15,542	28,175	-	5,508		49,225	12.0%	4,401
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	100	-	4,536		52,196	9.8%	4,667
2014	59,241	-	-	4,212		63,453	11.4%	5,673
2015	55,237	-	-	3,888		59,125	10.6%	5,286
2016	51,348	-	191	3,564		55,103	9.9%	4,927
2017	47,339	-	130	3,240		50,709	7.7%	4,376

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
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
2014	59,241	2.83%	5,296
2015	55,237	2.58%	4,938
2016	51,348	2.28%	4,591
2017	47,339	2.02%	4,086

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, 2017
(amounts expressed in thousands)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping debt:			
Cumberland County	\$ 37,435	5.55%	2,078
Portland Water District (Wastewater Fund)	40,709	11.69%	4,760
Portland Water District (Water Fund)	45,980	8.34%	3,835
Subtotal, overlapping debt	124,124		10,673
Town of Falmouth direct debt	47,339	100.00%	47,339
Total direct and overlapping debt	\$ 171,463		58,012

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, 2017, the Town's State valuation for comparison to the County of \$2,338,100,000 was 5.55% of the County's State valuation of \$42,139,850,000. The Town's share is 5.55% or \$2,077,055 of Cumberland County's \$37,435,000 long-term debt outstanding as of June 30, 2017.

The Town is also served by the Portland Water District. At June 30, 2017, the Town's share of self-supporting bonded water debt is 8.34% or \$3,834,738 of the total debt of \$45,980,073.

The Town is also served by the Portland Water District Wastewater Fund. At June 30, 2017, the Town's share of self-supporting bonded wastewater debt 11.69% or \$4,760,000 of the total debt of \$40,709,282.

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Assessed value per State	\$ 2,195,200	2,143,400	2,171,450	2,131,400	2,071,900	2,097,800	2,091,550	2,141,950	2,253,100	2,338,100
Total debt limit - all purposes - 15% of assessed value	321,510	325,718	319,710	310,785	314,670	314,670	313,733	321,293	337,965	350,715
Less outstanding debt applicable to debt limit	24,570	22,663	21,050	57,173	55,560	52,096	63,032	59,125	55,103	50,709
Legal debt margin	296,940	303,055	298,660	253,612	259,110	262,574	250,701	262,168	282,862	300,006
Total outstanding debt applicable to the limit as a percentage of debt limit	7.64%	6.96%	6.58%	18.40%	17.66%	16.56%	20.09%	18.40%	16.30%	14.46%
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	\$ 160,755	162,859	159,855	155,393	157,335	157,335	156,866	160,646	168,983	175,358
Less outstanding debt applicable to debt limit	3,950	3,500	3,300	3,100	2,900	2,700	11,900	11,507	10,803	9,530
Debt margin for municipal purposes	156,805	159,359	156,555	152,293	154,435	154,635	144,966	149,139	158,180	165,828
Outstanding debt applicable to the limit as a percentage of debt limit for municipal purposes	2.46%	2.15%	2.06%	1.99%	1.84%	1.72%	7.59%	7.16%	6.39%	5.43%
School purposes - 10%										
Debt limit	214,340	217,145	213,140	207,190	209,780	209,780	209,155	214,195	225,310	233,810
Less outstanding debt applicable to debt limit	14,310	13,215	12,165	48,850	47,800	44,860	46,920	43,730	40,736	37,939
Debt margin for school purposes	200,030	203,930	200,975	158,340	161,980	164,920	162,235	170,465	184,574	195,871
Outstanding debt applicable to the limit as a percentage of debt limit for school purposes	6.68%	6.09%	5.71%	23.58%	22.79%	21.38%	22.43%	20.42%	18.08%	16.23%
Storm and sanitary sewer purposes - 7.5%										
Debt limit	160,755	162,859	159,855	155,393	157,335	157,335	156,866	160,646	168,983	175,358
Less outstanding debt applicable to debt limit	6,310	5,948	5,585	5,223	4,860	4,536	4,212	3,888	3,564	3,240
Debt margin for sewer purposes	154,445	156,911	154,270	150,170	152,475	152,799	152,654	156,758	165,419	172,118
Outstanding debt applicable to the limit as a percentage of debt limit for sewer purposes	3.93%	3.65%	3.49%	3.36%	3.09%	2.88%	2.69%	2.42%	2.11%	1.85%
Maximum total debt limit - 15%	\$ 321,510	325,718	319,710	319,710	310,785	314,670	313,733	321,293	337,965	350,715

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)
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	47,674	45.3	13.4	2,150	4.9%
2013	11,185	533,435	47,674	45.3	13.4	2,140	4.7%
2014	11,185	555,612	47,674	46.8	13.4	2,126	4.4%
2015	11,185	555,612	47,674	45.3	13.4	2,119	3.2%
2016	11,185	555,612	47,674	45.3	13.4	2,131	2.8%
2017 (4)	11,587	662,070	57,139	47.1	13.4	2,112	2.1%

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.

(4) Provided by American Community Survey

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

<u>Employer</u>	2017			2008		
	<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%	444	1	9.02%
Town of Falmouth	431	2	7.94%	439	2	8.92%
Tyler Technologies	375	3	3.81%	375	3	7.62%
Hannaford Bros.	200	4	4.06%	200	4	4.06%
Sedgewood Commons	150	5	3.05%	150	5	3.05%
Shaw's Supermarket	150	5	3.05%	150	5	3.05%
Falmouth-by-the-Sea	118	7	2.40%	118	7	2.40%
Skillin's Greenhouses	107	8	2.17%	107	8	2.17%
The Woodlands Club	102	9	2.07%	102	9	2.07%
Ocean View Assisted Living	77	10	1.56%	77	10	1.56%
Totals	2,154		39.13%	2,162		43.92%

SOURCE: 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 Nine Fiscal Years *

	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government	23	23	23	23	23	22	23	23	23
Public Safety:									
Police:									
Officers (including harbormaster	16	16	17	18	18	18	18	18	19
Civilians	6	8	8	8	8	8	8	8	8
Fire/EMS Protection:									
Officers	2	2	2	1	1	2	3	3	3
Administrative	1	1	1	1	1	1	1	1	1
Public Works:									
Public Works	11	10	11	12	14	12	12	12	12
Solid Waste	2	2	2	1	1	2	2	2	2
Vehicle maintenance	4	3	3	3	3	3	3	3	3
Community Programs and Parks:									
Community Programs	4	4	4	5	5	4	4	4	5
Parks	3	2	2	2	2	2	2	2	2
Education:									
Instructional	182	178	183	181	181	202	205	205	209
Other	172	152	142	137	139	141	143	143	147
Wastewater Treatment	7	7	7	7	7	7	7	7	8
Total	433	408	405	399	403	424	431	431	442

Source: Town payroll office, School Department; * records not compiled in this format before 2009.
(1) Includes only "regular" Town employees, excludes non-regular seasonal and "on-call" employees.

TOWN OF FALMOUTH, MAINE
Selected Operating Indicators and Capital Asset Statistics by Function
For the Last Nine Fiscal Years *

Date of incorporation: 1718
Form of government: Council/Manager
Area in square miles: 32

	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government:									
Number of motor vehicle registrations	11,124	11,342	11,273	11,933	12,802	13,119	13,486	13,384	13,976
Number of building permits issued	194	235	223	227	232	254	233	208	270
Number of real estate parcels	5,204	5,228	5,238	5,251	5,259	5,287	5,318	5,369	5,460
Public safety:									
Police:									
Number of stations	1	1	1	1	1	1	1	1	1
Number of patrol units	9	9	9	9	11	11	11	11	11
Number of requests for service (1)	16,245	24,630	22,823	21,959	18,383	21,782	17,480	22,233	17,129
Number of law violations:									
Physical arrests	184	114	101	108	130	154	117	129	121
Traffic violations	3,989	3,984	4,422	4,008	3,588	3,921	3,654	5,410	5,484
Parking violations	240	286	131	93	472	257	138	269	182
Number of street lights	614	614	612	612	610	614	614	617	617
Number of harbor moorings	1,221	1,114	1,114	1,109	1,104	1,081	1,118	1,135	1,097
Fire/EMS Protection:									
Number of stations	4	4	3	3	3	2	2	3	3
Number of fire apparatus	12	12	10	10	9	9	9	9	9
Number of Fire Dept. requests for service	551	576	539	615	582	555	733	725	708
Number of ambulances	2	2	3	3	3	3	3	3	3
Number of EMS requests for service	907	941	1,039	1,022	967	1,072	1,063	1,246	1,181
Public works:									
Miles of streets	75	75	76	76	76	77	78	79	79
Traffic signals	13	13	13	12	12	12	12	13	13
Number of vehicles and rolling equipment	54	54	56	56	42	42	43	35	35
Community Programs & Parks:									
Number of recreational and adult education programs	450	460	456	514	470	521	652	644	670
Number of program participants	7,318	7,618	6,800	6,800	7,800	8,065	9,448	9,901	10,185
Parks and open space areas	50	50	50	50	50	50	50	50	50
Park acreage	119	119	119	119	119	119	119	119	119
Skating rinks	2	2	2	2	2	1	1	1	1
Tennis courts	9	9	9	9	9	9	9	9	9
Education:									
Number of elementary schools	3	3	3	2	2	2	2	2	2
Number of elementary school students	1,456	1,431	1,405	1,423	1,405	1,416	1,149	1,409	1,414
Number of secondary schools	1	1	1	1	1	2	1	1	1
Number of secondary school students	675	702	694	727	735	710	692	685	700
Number of school buses, vans and rolling equipment	39	42	42	42	42	40	40	40	39
Wastewater Treatment:									
Miles of sanitary sewers	55	55	55	c	56	56	56	56	56
Number of treatment plants	1	1	1	1	1	1	1	1	1
Number of maintenance vehicles	6	6	6	4	4	4	4	4	4
Number of service connections	2,174	2,174	2,249	2,273	2,300	2,335	2,342	2,366	2,399
Daily average treatment in gallons	1,027,000	1,027,000	952,000	971,000	907,000	889,000	978,000	876,000	870,000
Maximum daily licensed capacity in gallons	1,500,000	1,500,000	1,560,000	1,560,000	1,560,000	1,560,000	1,560,000	1,560,000	1,560,000

Source: Town payroll office, School Department; * 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.

**Report Required By *Government*
*Auditing Standards***

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, 2017, 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 12, 2017.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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 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*.

We noted certain other matters that we reported to management of the Town of Falmouth, Maine in a separate letter dated December 12, 2017.

Purpose of this Report

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



December 12, 2017
South Portland, Maine