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Audited Financial Statements
and Other Supplementary Information

Town of Jay, Maine

June 30, 2016



Proven Expertise and Integrity

TOWN OF JAY, MAINE

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JUNE 30, 2016

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FEDERAL COMPLIANCE

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Proven Expertise and Integrity

INDEPENDENT AUDITORS' REPORT

Board of Selectmen
Town of Jay
Jay, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Jay, Maine, as of and for the year ended June 30, 2016, 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.

Auditors' 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 of material misstatement.

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

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, business-type activities, each major fund and the aggregate remaining fund information of the Town of Jay, Maine as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof 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, budgetary comparison information and pension information on pages 4 through 12 and 52 through 54 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 Jay, Maine's basic financial statements. The Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are the responsibility of management and were derived from and related 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 Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2016, on our consideration of the Town of Jay, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 Jay, Maine's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
October 25, 2016

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

(UNAUDITED)

The following management's discussion and analysis of the Town of Jay's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the Town's financial statements.

Financial Statement Overview

The Town of Jay's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule and pension schedules, and other supplementary information which includes combining and other schedules.

Basic Financial Statements

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide a broad view of the Town's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regards to the Town's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Position – this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

The Statement of Activities – this statement presents information that shows how the government's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above mentioned financial statements have separate columns for the two different types of town activities. The types of activities presented for the Town of Jay are:

- *Governmental activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most of the Town's basic services are reported in governmental activities, which include general government, public safety, public works, education, insurance, recreation and library and unclassified.
- *Business-type activities* – These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. These activities for the Town of Jay include the Sewer Fund.

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 Jay, like other local governments, uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the Town of Jay can be divided into two categories: governmental funds and proprietary funds.

Governmental funds: Most of the basic services provided by the Town are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the Town's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the Town.

Because the focus of governmental funds is narrower than that of 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 government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The Town of Jay presents only two columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The Town's major governmental fund is the general fund. All other funds are shown as nonmajor and are combined in the "Nonmajor Funds" column on these statements.

The general fund is the only fund for which the Town legally adopted a budget. The Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

Proprietary Funds: The Town of Jay maintains one proprietary fund, the sewer fund. This fund is used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Statement of Cash Flows – Proprietary Funds.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund, Schedule of Proportionate Share of the Net Pension Liability and the Schedule of Contributions.

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regards to nonmajor funds, capital asset activity and other detailed budgetary information for the general fund.

Government-Wide Financial Analysis

Our analysis below focuses on net position, and the changes in net position of the Town's governmental and business-type activities. The Town's total net position for governmental activities decreased by \$527,262 from \$16.66 million to \$16.13 million. The Town's total net position for business-type activities increased by \$158,612 from \$1.78 million to \$1.93 million.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased for governmental activities to a balance of \$7,510,663 at the end of this year. Unrestricted net position for business-type activities increased to a balance of \$1,134,245.

Table 1
Town of Jay, Maine
Net Position
June 30,

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | |
|--|--------------------------------|----------------------|---------------------------------|---------------------|
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Assets: | | | | |
| Current Assets | \$ 8,609,933 | \$ 8,578,659 | \$ 82,972 | \$ 78,318 |
| Capital Assets | 9,727,328 | 10,468,526 | 1,804,016 | 1,280,738 |
| Other Assets | - | - | 2,841,214 | 2,841,214 |
| Total Assets | <u>18,337,261</u> | <u>19,047,185</u> | <u>4,728,202</u> | <u>4,200,270</u> |
| Deferred Outflows of Resources: | | | | |
| Deferred Amount on Pensions | 364,275 | 177,071 | - | - |
| Total Deferred Inflows of Resources | <u>364,275</u> | <u>177,071</u> | <u>-</u> | <u>-</u> |
| Liabilities: | | | | |
| Current Liabilities | 683,708 | 563,923 | 2,065,532 | 1,420,621 |
| Long-term Debt Outstanding | 1,503,500 | 1,622,558 | 728,183 | 1,003,774 |
| Total Liabilities | <u>2,187,208</u> | <u>2,186,481</u> | <u>2,793,715</u> | <u>2,424,395</u> |
| Deferred Inflows of Resources: | | | | |
| Prepaid taxes | 6,571 | 5,670 | - | - |
| Deferred Amount on Pensions | 378,379 | 375,465 | - | - |
| Total Deferred Inflows of Resources | <u>384,950</u> | <u>381,135</u> | <u>-</u> | <u>-</u> |
| Net Position: | | | | |
| Net Investment in Capital Assets | 8,368,053 | 8,634,308 | 800,242 | 1,025,071 |
| Restricted: Special Revenue | 242,149 | 237,165 | - | - |
| Permanent Fund | 8,513 | 9,684 | - | - |
| Unrestricted | 7,510,663 | 7,775,483 | 1,134,245 | 750,804 |
| Total Net Position | <u>\$ 16,129,378</u> | <u>\$ 16,656,640</u> | <u>\$ 1,934,487</u> | <u>\$ 1,775,875</u> |

Table 2
Town of Jay, Maine
Change in Net Position
For the Years Ended June 30,

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | |
|---|--------------------------------|-----------------------------|---------------------------------|----------------------------|
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Revenues | | | | |
| <i>Program Revenues:</i> | | | | |
| Charges for services | \$ 117,218 | \$ 110,066 | \$ 427,839 | \$ 407,398 |
| Operating grants and contributions | 83,852 | 82,980 | - | - |
| <i>General Revenues:</i> | | | | |
| Property taxes | 13,304,802 | 12,422,367 | - | - |
| Excise taxes | 773,242 | 718,283 | - | - |
| Grants and contributions not restricted to specific programs | 1,263,384 | 1,343,981 | - | - |
| Miscellaneous | 90,465 | 195,541 | 1,000 | - |
| Total Revenues | <u>15,632,963</u> | <u>14,873,218</u> | <u>428,839</u> | <u>407,398</u> |
| Expenses | | | | |
| General government | 879,266 | 747,646 | - | - |
| Public safety | 1,319,390 | 1,260,014 | - | - |
| Public works | 1,508,575 | 1,413,342 | - | - |
| Transfer station | 488,164 | 568,221 | - | - |
| Donations | 28,150 | 27,275 | - | - |
| Recreation and library | 181,581 | 181,639 | - | - |
| Education | 8,970,148 | 8,714,185 | - | - |
| County tax | 938,282 | 1,100,466 | - | - |
| Insurance | 125,643 | 118,341 | - | - |
| TIF | 965,818 | 845,426 | - | - |
| Unallocated depreciation (Note 4) | 49,132 | 49,932 | - | - |
| Sewer department | - | - | 707,601 | 642,675 |
| Unclassified | 268,702 | 178,764 | - | - |
| Total Expenses | <u>15,722,851</u> | <u>15,205,251</u> | <u>707,601</u> | <u>642,675</u> |
| Transfers | <u>(437,374)</u> | <u>(438,238)</u> | <u>437,374</u> | <u>438,238</u> |
| Change in Net Position | (527,262) | (770,271) | 158,612 | 202,961 |
| Net Position - July 1 | <u>16,656,640</u> | <u>17,426,911</u> | <u>1,775,875</u> | <u>1,572,914</u> |
| Net Position - June 30 | <u>\$ 16,129,378</u> | <u>\$ 16,656,640</u> | <u>\$ 1,934,487</u> | <u>\$ 1,775,875</u> |

Revenues and Expenses

Revenues for the Town's governmental activities increased by 5.11%, while total expenses increased by 3.40%. The largest increase in revenues was in property tax revenues. The biggest increase in expenses was in education.

Revenues for the Town's business-type activities increased by 5.26%, while total expenses increased by 10.10%.

Financial Analysis of the Town's Fund Statements

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

Table 3
Town of Jay, Maine
Fund Balances - Governmental Funds
June 30,

| | 2016 | 2015 |
|------------------------|---------------------|---------------------|
| General Fund: | | |
| Nonspendable | \$ 500 | \$ 16,722 |
| Unassigned | 5,750,578 | 5,962,955 |
| Total General Fund | <u>\$ 5,751,078</u> | <u>\$ 5,979,677</u> |
| Nonmajor Funds: | | |
| Special revenue funds: | | |
| Restricted | \$ 242,149 | \$ 237,165 |
| Committed | 2,185,826 | 2,171,874 |
| Permanent funds: | | |
| Restricted | 8,513 | 9,684 |
| Total Nonmajor Funds | <u>\$ 2,436,488</u> | <u>\$ 2,418,723</u> |

The general fund total fund balance decreased by \$228,599 from the prior fiscal year. The non-major fund total fund balances increased by \$17,765 from the prior fiscal year.

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

The sewer fund, a proprietary fund had net position for the current year of \$1,934,487. This was an increase of \$158,612 from the prior year.

Budgetary Highlights

There was no significant difference between the original and final budget for the general fund. Minor differences consist of budget adjustments made by the town resulting from town meeting, adjustments to departments or applied receipts.

The general fund actual revenues were under budget by \$953,459. This was mostly a result of property taxes that were significantly under budget due to a large abatement of taxes.

The general fund actual expenditures were under budget by \$724,860. All expenditure categories were under budget.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2016, the net book value of capital assets recorded by the Town increased by \$253,413 when compared to the prior year. This increase is the result of capital additions of \$1,177,452 less current year depreciation expense of \$793,056 and net capital disposals of \$130,983.

Table 4
Town of Jay, Maine
Capital Assets (Net of Depreciation)
June 30,

| | <u>2016</u> | <u>2015</u> |
|----------------------------|----------------------|---------------------|
| Land and improvements | \$ 1,448,108 | \$ 790,468 |
| Buildings and improvements | 2,058,119 | 2,194,106 |
| Furniture and fixtures | 1,852 | 2,250 |
| Machinery and equipment | 233,408 | 330,982 |
| Vehicles | 860,048 | 1,136,191 |
| Infrastructure | 5,539,961 | 5,434,086 |
| Construction in progress | 36,518 | 36,518 |
| Total | <u>\$ 10,178,014</u> | <u>\$ 9,924,601</u> |

Debt

At June 30, 2016, the Town had \$2.36 million in bonds outstanding versus \$3.10 million last year, a decrease of 36.45%. Other obligations include capital leases payable, accrued vacation and floating holidays and net pension liability. Refer to Note 7 of Notes to Financial Statements for more detailed information.

Economic Factors and Next Year's Budgets and Rates

To further promote and ensure the financial well-being and fiscal stability of the Town, the Jay Board of Selectmen adopted an Unassigned Fund Balance Policy in August of 2012. The Town's management designed the policy around maintaining an appropriate level of Unassigned Fund Balance with the intent to provide a source of funding for unforeseen emergencies, cash flow to offset the need for borrowing in anticipation of tax receipts and evidence to the Town's bondholders and bond rating agencies of financial stability and credit worthiness. Funds may also be used with the approval of a special or annual Town Meeting.

The policy requires that the target balance for unassigned fund balance consist of three tiers:

1. A minimum level of unassigned fund balance level equal to 60-days of the current year's approved expense appropriation for the municipal budget (or the approved municipal budget divided by the number of calendar days in that year, multiplied by 60 days).
2. A target level of unassigned fund balance equal to 90-days of the current year's approved expense appropriation for the municipal budget (or the approved municipal budget divided by the number of calendar days in that year, multiplied by 90 days).
3. A maximum level of unassigned fund balance level equal to 90-days of the current year's approved expense appropriation for the municipal budget (or the approved municipal budget divided by the number of calendar days in that year, multiplied by 90 days).

The policy also includes a provision for the suggested utilization of excess funds as an offset to the budgetary impact on the Town's mil rate or for other valid purposes which benefit the taxpayer including response to emergency funding needs. All uses of excess unassigned fund balance must receive prior Town Meeting approval.

For the fiscal year ended 2016, the Town recognizes that the Balance in Excess of the Maximum Level is approximately \$1,708,978 and has determined that the increased level is reasonable and responsible in light of the fact that a very large portion of the Town's tax base is concentrated in the Androscoggin Mill. The Town also recognizes the current vulnerability of the paper industry and has issued an abatement of taxes for Verso Paper in the amount of \$1,333,334, which will be credited against the 2016-2017 taxes. For this reason, the Town is choosing to maintain the excess balance at this time.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Finance Department at 340 Main Street, Jay, Maine 04239.

STATEMENT A

TOWN OF JAY, MAINE

STATEMENT OF NET POSITION
JUNE 30, 2016

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|----------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 7,170,275 | \$ - | \$ 7,170,275 |
| Investments | 31,151 | - | 31,151 |
| Accounts receivable (net of allowance for uncollectibles): | | | |
| Taxes | 225,137 | 57,423 | 282,560 |
| Liens | 64,016 | 25,549 | 89,565 |
| Other | 63,965 | - | 63,965 |
| Prepaid items | 500 | - | 500 |
| Internal balances | 1,054,889 | (1,054,889) | - |
| Total current assets | <u>8,609,933</u> | <u>(971,917)</u> | <u>7,638,016</u> |
| Noncurrent assets: | | | |
| Receivable for long-term debt obligations from RSU No. 73 | 1,353,330 | - | 1,353,330 |
| Capital assets: | | | |
| Non depreciable assets | 767,321 | 709,254 | 1,476,575 |
| Depreciated assets net of accumulated depreciation | <u>7,606,677</u> | <u>1,094,762</u> | <u>8,701,439</u> |
| Total noncurrent assets | <u>9,727,328</u> | <u>1,804,016</u> | <u>11,531,344</u> |
| Other assets: | | | |
| Investment in joint venture | - | 2,841,214 | 2,841,214 |
| TOTAL ASSETS | <u>18,337,261</u> | <u>3,673,313</u> | <u>22,010,574</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred amount on pensions | 364,275 | - | 364,275 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>364,275</u> | <u>-</u> | <u>364,275</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 18,701,536</u> | <u>\$ 3,673,313</u> | <u>\$ 22,374,849</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 182,859 | \$ 858 | \$ 183,717 |
| Accrued payroll | 12,705 | 622 | 13,327 |
| Due to other governments | 60 | - | 60 |
| Bond anticipation note payable | - | 733,572 | 733,572 |
| Current portion of long-term obligations | 488,084 | 275,591 | 763,675 |
| Total current liabilities | <u>683,708</u> | <u>1,010,643</u> | <u>1,694,351</u> |
| Noncurrent liabilities: | | | |
| Noncurrent portion of long-term obligations: | | | |
| Bonds payable | 881,997 | 728,183 | 1,610,180 |
| Capital lease payable | 2,335 | - | 2,335 |
| Net pension liability | 619,168 | - | 619,168 |
| Total noncurrent liabilities | <u>1,503,500</u> | <u>728,183</u> | <u>2,231,683</u> |
| TOTAL LIABILITIES | <u>2,187,208</u> | <u>1,738,826</u> | <u>3,926,034</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Prepaid taxes | 6,571 | - | 6,571 |
| Deferred amount on pensions | 378,379 | - | 378,379 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>384,950</u> | <u>-</u> | <u>384,950</u> |
| NET POSITION | | | |
| Net investment in capital assets | 8,368,053 | 800,242 | 9,168,295 |
| Restricted: | | | |
| Special Revenue Funds | 242,149 | - | 242,149 |
| Permanent Funds | 8,513 | - | 8,513 |
| Unrestricted | <u>7,510,663</u> | <u>1,134,245</u> | <u>8,644,908</u> |
| TOTAL NET POSITION | <u>16,129,378</u> | <u>1,934,487</u> | <u>18,063,865</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | <u>\$ 18,701,536</u> | <u>\$ 3,673,313</u> | <u>\$ 22,374,849</u> |

See accompanying independent auditors' report and notes to financial statements.

TOWN OF JAY, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue & Changes in Net Position | | |
|--------------------------------|----------------------|-------------------------|--|--------------------------------------|--|---------------------------------|---------------------|
| | | Charges for Services | Operating Grants & Contributions | Capital Grants & Contributions | Governmental Activities | Business- type Activities | Total |
| Governmental activities: | | | | | | | |
| General government | \$ 879,266 | \$ 38,339 | \$ - | \$ - | \$ (840,927) | \$ - | \$ (840,927) |
| Public safety | 1,319,390 | 3,182 | - | - | (1,316,208) | - | (1,316,208) |
| Public works | 1,508,575 | 75,697 | 83,852 | - | (1,349,026) | - | (1,349,026) |
| Transfer station | 488,164 | - | - | - | (488,164) | - | (488,164) |
| Donations | 28,150 | - | - | - | (28,150) | - | (28,150) |
| Recreation and library | 181,581 | - | - | - | (181,581) | - | (181,581) |
| Education | 8,970,148 | - | - | - | (8,970,148) | - | (8,970,148) |
| County tax | 938,282 | - | - | - | (938,282) | - | (938,282) |
| Insurance | 125,643 | - | - | - | (125,643) | - | (125,643) |
| TIF | 965,818 | - | - | - | (965,818) | - | (965,818) |
| Unallocated depreciation* | 49,132 | - | - | - | (49,132) | - | (49,132) |
| Unclassified | 268,702 | - | - | - | (268,702) | - | (268,702) |
| Total governmental activities | <u>15,722,851</u> | <u>117,218</u> | <u>83,852</u> | <u>-</u> | <u>(15,521,781)</u> | <u>-</u> | <u>(15,521,781)</u> |
| Business-type activities: | | | | | | | |
| Sewer department | 707,601 | 427,839 | - | - | - | (279,762) | (279,762) |
| Total business-type activities | <u>707,601</u> | <u>427,839</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(279,762)</u> | <u>(279,762)</u> |
| Total government | <u>\$ 16,430,452</u> | <u>\$ 545,057</u> | <u>\$ 83,852</u> | <u>\$ -</u> | <u>(15,521,781)</u> | <u>(279,762)</u> | <u>(15,801,543)</u> |

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

TOWN OF JAY, MAINE

STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016

| | Governmental Activities | Business- type Activities | Totals |
|---|-----------------------------|---------------------------------|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Changes in net position: | | | |
| Net (expense) revenue | <u>(15,521,781)</u> | <u>(279,762)</u> | <u>(15,801,543)</u> |
| General revenues: | | | |
| Taxes: | | | |
| Property taxes, levied for general purposes | 13,304,802 | - | 13,304,802 |
| Excise taxes | 773,242 | - | 773,242 |
| Grants and contributions not restricted to specific programs | 1,263,384 | - | 1,263,384 |
| Miscellaneous | 90,465 | 1,000 | 91,465 |
| Transfers - internal activities | <u>(437,374)</u> | <u>437,374</u> | <u>-</u> |
| Total general revenues and transfers | <u>14,994,519</u> | <u>438,374</u> | <u>15,432,893</u> |
| Change in net position | (527,262) | 158,612 | (368,650) |
| NET POSITION - JULY 1 | <u>16,656,640</u> | <u>1,775,875</u> | <u>18,432,515</u> |
| NET POSITION - JUNE 30 | <u>\$ 16,129,378</u> | <u>\$ 1,934,487</u> | <u>\$ 18,063,865</u> |

See accompanying independent auditors' report and notes to financial statements.

TOWN OF JAY, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

| | General Fund | Nonmajor Funds | Total Governmental Funds |
|---|----------------------------|----------------------------|--------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 4,966,081 | \$ 2,204,194 | \$ 7,170,275 |
| Investments | - | 31,151 | 31,151 |
| Accounts receivable (net of allowance for uncollectibles): | | | |
| Taxes | 225,137 | - | 225,137 |
| Liens | 64,016 | - | 64,016 |
| Other | 63,965 | - | 63,965 |
| Prepaid items | 500 | - | 500 |
| Due from other funds | 1,065,031 | 211,285 | 1,276,316 |
| TOTAL ASSETS | <u>\$ 6,384,730</u> | <u>\$ 2,446,630</u> | <u>\$ 8,831,360</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 182,859 | \$ - | \$ 182,859 |
| Accrued payroll | 12,705 | - | - |
| Due to other governments | 60 | - | 60 |
| Due to other funds | 211,285 | 10,142 | 221,427 |
| TOTAL LIABILITIES | <u>406,909</u> | <u>10,142</u> | <u>417,051</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred tax revenues | 220,172 | - | 220,172 |
| Prepaid taxes | 6,571 | - | 6,571 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>226,743</u> | <u>-</u> | <u>226,743</u> |
| FUND BALANCES | | | |
| Nonspendable | 500 | - | 500 |
| Restricted | - | 250,662 | 250,662 |
| Committed | - | 2,185,826 | 2,185,826 |
| Unassigned | 5,750,578 | - | 5,750,578 |
| TOTAL FUND BALANCES | <u>5,751,078</u> | <u>2,436,488</u> | <u>8,187,566</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u>\$ 6,384,730</u> | <u>\$ 2,446,630</u> | <u>\$ 8,831,360</u> |

See accompanying independent auditors' report and notes to financial statements.

TOWN OF JAY, MAINE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

| | <u>Total Governmental Funds</u> |
|---|---|
| Total Fund Balances | \$ 8,187,566 |
| 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, net of accumulated depreciation | 8,373,998 |
| Long-term assets are not available in the current period and therefore are not reported as assets in the funds: | |
| Receivable for long-term debt obligations from RSU No. 73 | 1,353,330 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds shown above: | |
| Taxes and liens receivable | 220,172 |
| Deferred outflows of resources are not financial resources and therefore are not reported in the funds | 364,275 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: | |
| Bonds payable | (1,353,330) |
| Capital lease payable | (5,945) |
| Accrued compensated absences | (13,141) |
| Net pension liability | (619,168) |
| Deferred inflows of resources are not financial resources and therefore are not reported in the funds | <u>(378,379)</u> |
| Net position of governmental activities | <u><u>\$ 16,129,378</u></u> |

See accompanying independent auditors' report and notes to financial statements.

TOWN OF JAY, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

| | General Fund | Nonmajor Funds | Total Governmental Funds |
|--|---------------------|---------------------|--------------------------------|
| REVENUES | | | |
| Property taxes | \$ 13,252,589 | \$ - | \$ 13,252,589 |
| Excise taxes | 773,242 | - | 773,242 |
| Intergovernmental | 1,257,708 | 89,528 | 1,347,236 |
| Charges for services | 117,218 | - | 117,218 |
| Miscellaneous revenues | 41,033 | 49,432 | 90,465 |
| TOTAL REVENUES | 15,441,790 | 138,960 | 15,580,750 |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 580,526 | 68,981 | 649,507 |
| Public safety | 1,202,578 | 59,076 | 1,261,654 |
| Public works | 1,010,466 | 509,905 | 1,520,371 |
| Transfer station | 425,476 | 20,548 | 446,024 |
| Donations | 28,150 | - | 28,150 |
| Recreation and library | 179,911 | - | 179,911 |
| Education | 8,970,148 | - | 8,970,148 |
| County tax | 938,282 | - | 938,282 |
| Insurance | 125,643 | - | 125,643 |
| Tax increment financing agreement | 965,818 | - | 965,818 |
| Unclassified | 267,502 | 1,200 | 268,702 |
| TOTAL EXPENDITURES | 14,694,500 | 659,710 | 15,354,210 |
| EXCESS REVENUES OVER (UNDER) EXPENDITURES | 747,290 | (520,750) | 226,540 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - | 538,515 | 538,515 |
| Transfers (out) | (975,889) | - | (975,889) |
| TOTAL OTHER FINANCING SOURCES (USES) | (975,889) | 538,515 | (437,374) |
| NET CHANGE IN FUND BALANCES | (228,599) | 17,765 | (210,834) |
| FUND BALANCES - JULY 1 | 5,979,677 | 2,418,723 | 8,398,400 |
| FUND BALANCES - JUNE 30 | \$ 5,751,078 | \$ 2,436,488 | \$ 8,187,566 |

See accompanying independent auditors' report and notes to financial statements.

TOWN OF JAY, 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, 2016

| | |
|---|----------------------------|
| Net change in fund balances - total governmental funds (Statement E) | <u>\$ (210,834)</u> |
| Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because: | |
| Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets: | |
| Capital asset purchases | 514,513 |
| Capital asset disposals | (130,983) |
| Depreciation expense | <u>(653,395)</u> |
| | <u>(269,865)</u> |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported. | |
| Taxes and liens receivable | <u>52,213</u> |
| Receivable for long-term debt obligations from RSU No. 73 | <u>(471,333)</u> |
| Deferred outflows of resources are a consumption of net assets by the government that are applicable to a future reporting period and therefore are not reported in the funds. | |
| | <u>187,204</u> |
| Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position | |
| | <u>474,943</u> |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds: | |
| Accrued compensated absences | 4,145 |
| Net pension liability | <u>(290,821)</u> |
| | <u>(286,676)</u> |
| Deferred inflows of resources are a consumption of net assets by the government that are applicable to a future reporting period and therefore are not reported in the funds. | |
| | <u>(2,914)</u> |
| Change in net position of governmental activities (Statement B) | <u><u>\$ (527,262)</u></u> |

See accompanying independent auditors' report and notes to financial statements.

TOWN OF JAY, MAINE

STATEMENT OF NET POSITION – PROPRIETARY FUNDS
JUNE 30, 2016

| | Business-type Activities Enterprise Funds Sewer Department |
|--|--|
| ASSETS | |
| Current assets: | |
| Accounts receivable (net of allowance for uncollectibles): | |
| Taxes | \$ 57,423 |
| Liens | 25,549 |
| Total current assets | <u>82,972</u> |
| Noncurrent assets: | |
| Capital assets: | |
| Construction in progress | 681,819 |
| Land and buildings | 1,285,435 |
| Vehicles, machinery and equipment | 130,464 |
| Infrastructure | 5,411,822 |
| Total capital assets | <u>7,509,540</u> |
| Less: accumulated depreciation | <u>(5,705,524)</u> |
| Net capital assets | <u>1,804,016</u> |
| Other assets: | |
| Investment in joint venture | <u>2,841,214</u> |
| Total noncurrent assets | <u>4,645,230</u> |
| TOTAL ASSETS | <u><u>\$ 4,728,202</u></u> |
| LIABILITIES AND NET POSITION | |
| Current liabilities: | |
| Accounts payable | \$ 858 |
| Accrued payroll | 622 |
| Due to other funds | 1,054,889 |
| Bond anticipation note payable | 733,572 |
| Bonds payable, current portion | 275,591 |
| Total current liabilities | <u>2,065,532</u> |
| Noncurrent liabilities: | |
| Noncurrent portion of long-term obligations: | |
| Bonds payable, net of current portion | <u>728,183</u> |
| Total noncurrent liabilities | <u>728,183</u> |
| TOTAL LIABILITIES | <u>2,793,715</u> |
| NET POSITION | |
| Net investment in capital assets | 800,242 |
| Unrestricted | <u>1,134,245</u> |
| TOTAL NET POSITION | <u>1,934,487</u> |
| TOTAL LIABILITIES AND NET POSITION | <u><u>\$ 4,728,202</u></u> |

See accompanying independent auditors' report and notes to financial statements.

TOWN OF JAY, MAINE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

| | Business-type Activities Enterprise Funds Sewer Department |
|---------------------------------------|--|
| OPERATING REVENUES | |
| Charges for services | \$ 427,839 |
| Miscellaneous | 1,000 |
| TOTAL OPERATING REVENUES | <u>428,839</u> |
| OPERATING EXPENSES | |
| Payroll and related benefits | 175,550 |
| Treatment fees | 270,743 |
| Repairs and maintenance | 6,000 |
| Supplies | 60,757 |
| Utilities | 41,059 |
| Depreciation | 139,661 |
| TOTAL OPERATING EXPENSES | <u>693,770</u> |
| OPERATING INCOME (LOSS) | <u>(264,931)</u> |
| NONOPERATING REVENUE (EXPENSES) | |
| Transfers in | 437,374 |
| Transfers (out) | - |
| Interest expense | (13,831) |
| TOTAL NONOPERATING REVENUE (EXPENSES) | <u>423,543</u> |
| NET CHANGE IN NET POSITION | 158,612 |
| NET POSITION - JULY 1 | <u>1,775,875</u> |
| NET POSITION - JUNE 30 | <u><u>\$ 1,934,487</u></u> |

See accompanying independent auditors' report and notes to financial statements.

TOWN OF JAY, MAINE

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

| | Business-type Activities Enterprise Funds <u>Sewer Department</u> |
|---|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers | \$ 422,365 |
| Payments to suppliers | (414,730) |
| Payments to employees | (174,928) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>(167,293)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Transfer in from general fund - debt service | 289,424 |
| Transfer in from general fund - capital contribution | 147,950 |
| Purchases of capital assets | (662,939) |
| Principal payments on bonds and notes payable | (275,591) |
| Interest payments on bonds and notes payable | (13,831) |
| Bond anticipation note payable addition | 682,280 |
| NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES | <u>167,293</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | - |
| CASH AND CASH EQUIVALENTS - JULY 1 | - |
| CASH AND CASH EQUIVALENTS - JUNE 30 | <u>\$ -</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | |
| Operating income (loss) | \$ (264,931) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | |
| Depreciation expense | 139,661 |
| Changes in operating assets and liabilities: | |
| (Increase) decrease in accounts receivable | (6,474) |
| (Increase) decrease in prepaid items | 1,820 |
| (Decrease) increase in accounts payable | 858 |
| (Decrease) increase in accrued payroll | 622 |
| (Decrease) increase in due to other funds | (38,849) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>\$ (167,293)</u> |

See accompanying independent auditors' report and notes to financial statements.

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Jay was incorporated under the laws of the State of Maine. The Town operates under the selectmen-manager form of government and provides the following services: general government services, public safety, public works, transfer station, education, recreation and unclassified.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The Town's combined financial statements include all accounts and all operations of the Town. We have determined that the Town has no component units as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and 61.

Implementation of New Accounting Standards

During the year ended June 30, 2016, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 72, "*Fair Value Measurement and Application*". The objective of the Statement is to expand comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will improve fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*". The objective of the Statement is to improve financial reporting by instituting a single framework for the presentation of information about pensions, thereby expanding the comparability of pension-related information reported by state and local governments. Management has determined that this Statement is not applicable.

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*". The objective of this Statement is to identify-in the context of the current governmental financial reporting environment-the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 79, "*Certain External Investment Pools and Pool Participants*". This Statement establishes specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share.

This Statement also establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. Management has determined the impact of this Statement is not material to the financial statements.

Government-Wide and Fund Financial Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds).

In the government-wide Statement of Net Position, the governmental activities columns are (a) presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.

Both the government-wide and fund financial statements categorize primary activities as governmental. The Town categorizes all activities of the entity as governmental.

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities (general government, public safety, etc.). The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.).

The Town does not allocate indirect costs. All costs are charged directly to the corresponding department.

The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

Measurement Focus - Basic Financial Statements & Fund Financial Statements

The financial transactions of the Town are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Town:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

Major Funds

- a. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonmajor Funds

- b. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. Permanent Funds are used to account for assets held by the Town that are legally restricted pursuant to Title 30-A, §5653 of the Maine State Statutes, as amended, and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the Town or its citizenry. The Town's policy for authorizing and spending investment income follows State statutes.

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the proprietary activity. Non-operating revenues are any revenues which are generated outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds of the Town:

- a. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column, GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1. Accrual

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Budget

The Town's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. Early in the second half of the year the Town prepares a budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the inhabitants of the Town was called for the purpose of adopting the proposed budget after public notice of the meeting was given.
3. The budget was adopted subsequent to passage by the inhabitants of the Town.
4. The Town does not adopt budgets for Special Revenue Funds.

Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

It is the Town's policy to value investments at fair value. None of the Town's investments are reported at amortized cost. For statement of cash flows purposes, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. The Town Treasurer is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities.
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations, and credit unions.
- Repurchase agreements
- Money market mutual funds

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements.

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

Allowance for Uncollectible Accounts

The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2016.

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Infrastructure such as streets, traffic signals, and signs are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets are valued at their estimated fair market value on the date received. All asset retirements have been recorded by eliminating the net carrying values.

Infrastructure assets include roads, bridges, underground pipe (other than related to independently owned utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. The Town has not retroactively recorded infrastructure.

Estimated useful lives are as follows:

| | |
|-------------------------|----------------|
| Buildings | 20 - 50 years |
| Infrastructure | 50 - 100 years |
| Machinery and equipment | 3 - 50 years |
| Vehicles | 3 - 25 years |

Long-term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term debt consists primarily of bonds payable, capital leases payable, compensated absences, and net pension liability.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

The Town's policies regarding paid time off do permit employees to accumulate limited earned but unused leave. The liability for accrued compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2016, the Town's liability for compensated absences is \$13,141.

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 Participating Local District (PLD) Consolidated Plan and additions to/deductions from the PLD Consolidated Plan's fiduciary net position have been determined on the same basis as they are reported by the PLD Consolidated 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.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net position invested in capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town only has one type of this item, deferred amounts on pensions that qualifies for reporting in this category. This item is reported in the statement of net position.

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, deferred tax revenues, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported in the governmental funds balance sheet. Prepaid taxes also qualify for reporting in this category. This item is reported in both the statements of net position and governmental funds balance sheet. Deferred inflows related to pensions qualify for reporting in this category as well. This item is reported only in the statement of net position. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

Revenue Recognition - Property Taxes - Modified Accrual Basis

The Town's property tax for the current year was levied September 1, 2015 on the assessed value listed as of April 1, 2015, for all real and personal property located in the Town. Taxes were due in two installments on October 1, 2015 and April 1, 2016. Interest on unpaid taxes commenced on October 2, 2015 and April 2, 2016, at 7% per annum.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. The remaining receivables have been recorded as deferred revenues.

The Town is permitted by the laws of the State of Maine 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 \$94,436 for the year ended June 30, 2016.

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 tax liens and associated costs remain unpaid.

Program Revenues

Program revenues include all directly related income items applicable to a particular program (grant income/expenses).

Operating/Non-Operating Proprietary Fund Revenues

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund.

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The Town does not utilize encumbrance accounting for its general fund.

Use of Estimates

During the preparation of the Town's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

The Town's investment policies, which follow state statutes, require that all investments be made considering the safe and sound investment of principal and preservation of capital in the overall portfolio, maintenance of sufficient liquidity to meet day-to-day operations and other cash requirements and maximization of income, within established investment risk guidelines, with consistent cash flows throughout the budgetary cycle. These investment policies apply to all Town funds.

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits. However, the Town maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes. At June 30, 2016, the Town's deposits amounting to \$7,170,275 were comprised of bank deposits of \$7,491,981. Of these bank deposits, \$6,913,438 was fully insured by federal depository insurance and consequently not exposed to custodial credit risk. The remaining deposits of \$578,543 were collateralized with securities held by the financial institution in the Town's name.

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

| <u>Account Type</u> | <u>Bank Balance</u> |
|---------------------|-------------------------|
| Checking accounts | \$ 21,101 |
| NOW accounts | 17,644 |
| Insured sweep | 2,765,623 |
| ICS | 4,687,613 |
| | <u>\$ 7,491,981</u> |

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party.

At June 30, 2016, the Town's investments of \$31,151 of certificates of deposit were fully insured by federal depository insurance and consequently were not exposed to custodial credit risk.

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Not Applicable</u> | <u>Less Than 1 Year</u> | <u>1 - 5 Years</u> |
|-------------------------|-----------------------|---------------------------|-----------------------------|--------------------|
| Certificates of Deposit | \$ 31,151 | \$ - | \$ - | \$ 31,151 |
| | <u>\$ 31,151</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 31,151</u> |

Credit risk – Statutes for the State of Maine authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. Generally, the Town invests excess funds in cash management accounts and various insured certificates of deposit.

Interest rate risk – is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2016 consisted of the following individual fund receivables and payables:

| | <u>Receivables (Due from)</u> | <u>Payables (Due to)</u> |
|-----------------------|-----------------------------------|------------------------------|
| General fund | \$ 1,065,031 | \$ 211,285 |
| Special revenue funds | 211,285 | 9,342 |
| Permanent funds | - | 800 |
| Enterprise fund | - | 1,054,889 |
| | <u>\$ 1,276,316</u> | <u>\$ 1,276,316</u> |

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2016:

| | <u>Balance, 7/1/15</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance, 6/30/16</u> |
|----------------------------------|----------------------------|---------------------|---------------------|-----------------------------|
| <u>Governmental activities</u> | | | | |
| Non-depreciated assets: | | | | |
| Land | \$ 749,683 | \$ - | \$ - | \$ 749,683 |
| Art works & historical treasures | - | - | - | - |
| Construction in progress | 17,638 | - | - | 17,638 |
| | <u>767,321</u> | <u>-</u> | <u>-</u> | <u>767,321</u> |
| Depreciated assets: | | | | |
| Land Improvements | 62,000 | - | - | 62,000 |
| Buildings | 3,078,618 | - | - | 3,078,618 |
| Building improvements | 421,971 | - | - | 421,971 |
| Furniture & fixtures | 2,792 | - | - | 2,792 |
| Machinery & equipment | 2,796,620 | - | (12,271) | 2,784,349 |
| Vehicles | 2,755,044 | 23,011 | (270,414) | 2,507,641 |
| Infrastructure | 8,060,952 | 491,502 | - | 8,552,454 |
| | <u>17,177,997</u> | <u>514,513</u> | <u>(282,685)</u> | <u>17,409,825</u> |
| Less: accumulated depreciation | <u>(9,301,455)</u> | <u>(653,395)</u> | <u>151,702</u> | <u>(9,803,148)</u> |
| | <u>7,876,542</u> | <u>(138,882)</u> | <u>(130,983)</u> | <u>7,606,677</u> |
| Net capital assets | <u>\$ 8,643,863</u> | <u>\$ (138,882)</u> | <u>\$ (130,983)</u> | <u>\$ 8,373,998</u> |

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4 - CAPITAL ASSETS (CONTINUED)

| | Balance, 7/1/15 | Additions | Disposals | Balance, 6/30/16 |
|-------------------------------------|---------------------|-------------------|-------------|---------------------|
| <u>Business-type activities</u> | | | | |
| Non-depreciated assets: | | | | |
| Land | \$ 27,435 | \$ - | \$ - | \$ 27,435 |
| Construction in progress | 18,880 | 662,939 | - | 681,819 |
| | <u>46,315</u> | <u>662,939</u> | <u>-</u> | <u>709,254</u> |
| Depreciated assets: | | | | |
| Land Improvements | 64,000 | - | - | 64,000 |
| Buildings | 1,105,000 | - | - | 1,105,000 |
| Building improvements | 89,000 | - | - | 89,000 |
| Machinery & equipment | 43,581 | - | - | 43,581 |
| Vehicles | 86,883 | - | - | 86,883 |
| Infrastructure | 5,411,822 | - | - | 5,411,822 |
| | 6,800,286 | - | - | 6,800,286 |
| Less: accumulated depreciation | (5,565,863) | (139,661) | - | (5,705,524) |
| | <u>1,234,423</u> | <u>(139,661)</u> | <u>-</u> | <u>1,094,762</u> |
| Net capital assets | <u>\$ 1,280,738</u> | <u>\$ 523,278</u> | <u>\$ -</u> | <u>\$ 1,804,016</u> |
| <u>Current year depreciation</u> | | | | |
| Police | | | | \$ 21,088 |
| Fire | | | | 59,659 |
| Highway | | | | 479,706 |
| Recycling | | | | 36,864 |
| Recreation | | | | 1,670 |
| Town-wide | | | | 49,132 |
| Transfer station | | | | 5,276 |
| Subtotal governmental depreciation | | | | <u>653,395</u> |
| Sewer Department | | | | <u>139,661</u> |
| Subtotal business-type depreciation | | | | <u>139,661</u> |
| Total depreciation expense | | | | <u>\$ 793,056</u> |

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 - LONG-TERM RECEIVABLE

As of July 1, 2011, the Jay school department became a member of Regional School Unit (RSU) No. 73. The RSU Plan requires that the RSU be responsible for payment of all school-related long-term debt on behalf of the Town. As of June 30, 2016, a long-term receivable has been recorded for \$1,353,330, which represents school-related general obligation bonds of \$1,353,330. The State of Maine Department of Education is responsible for paying approximately 87 percent of the debt service on general obligation bonds directly to the Maine Municipal Bond Bank. The remaining debt service for bonds is paid by the RSU.

NOTE 6 - SHORT-TERM DEBT

On February 28, 2014, the Town issued a bond anticipation note to pay the costs of designing, financing, construction, installation, equipping and replacement of a sewage transmission line and functionally related and subordinate improvements. On November 12, 2015, the Town requested an extension of the bond anticipation note. Maturity of the principal and interest is on February 28, 2017 or upon receipt of the proceeds from a bond issue. Interest is payable at a rate of 1.56%. The balance outstanding on the note as of June 30, 2016 was \$733,572. Interest in the amount of \$3,825 was paid for the year ended June 30, 2016.

Short-term debt activity for the year ended June 30, 2016, was as follows:

| | Balance, 7/1/15 | Additions | Deletions | Balance, 6/30/16 |
|------------------------|--------------------|-------------------|-------------|---------------------|
| Bond anticipation note | \$ 51,292 | \$ 682,280 | \$ - | \$ 733,572 |
| Totals | <u>\$ 51,292</u> | <u>\$ 682,280</u> | <u>\$ -</u> | <u>\$ 733,572</u> |

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 - LONG-TERM DEBT

A summary of long-term debt for the year ended June 30, 2016 is as follows:

| Governmental activities: | Balance, 7/1/15 | Additions | Deletions | Balance, 6/30/16 | Current Portion |
|---------------------------------|---------------------|-------------------|---------------------|---------------------|--------------------|
| Bonds payable | \$ 1,824,663 | \$ - | \$ (471,333) | \$ 1,353,330 | \$ 471,333 |
| Capital leases payable | 9,555 | - | (3,610) | 5,945 | 3,610 |
| Accrued compensated absences | 17,286 | - | (4,145) | 13,141 | 13,141 |
| Net pension liability | 328,347 | 323,044 | (32,223) | 619,168 | - |
| Totals | \$ 2,179,851 | \$ 323,044 | \$ (511,311) | \$ 1,991,584 | \$ 488,084 |

| Business-type activities: | Balance, 7/1/15 | Additions | Deletions | Balance, 6/30/16 | Current Portion |
|----------------------------------|---------------------|-------------|---------------------|---------------------|--------------------|
| Bonds payable | \$ 1,279,365 | \$ - | \$ (275,591) | \$ 1,003,774 | \$ 275,591 |
| Totals | \$ 1,279,365 | \$ - | \$ (275,591) | \$ 1,003,774 | \$ 275,591 |

The following is a summary of bonds outstanding as of June 30, 2016:

Governmental activities:

| | |
|---|---------------------|
| \$8,400,000, 1997 General Obligation Bond due in annual principal payments of \$420,000, through November, 2017. Interest is charged at a rate varying from 5.401% to 5.776% per annum. | \$ 840,000 |
| \$770,000, 2011 General Obligation Bond due in annual principal payments and semiannual interest payments through November 2025. Interest is charged at a rate from 2.125% to 5.625%. | <u>513,330</u> |
| Total governmental activities | <u>\$ 1,353,330</u> |

Business-type activities:

| | |
|--|---------------------|
| \$4,094,795, 2003 General Obligation Bond due in annual principal payments of \$255,925, through November, 2018. Interest is charged at a rate of 1.45% per annum. | \$ 767,774 |
| \$295,000, 2012 General Obligation Bond due in annual principal payments of \$19,667, through October, 2027. Interest is charged at a rate of 1.00% per annum. | <u>236,000</u> |
| Total business-type activities | <u>\$ 1,003,774</u> |

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 - LONG-TERM DEBT (CONTINUED)

The annual principal and interest requirements to amortize the bonds are as follows:

| | Governmental Activities | | Business-type Activities | | Total Debt Service |
|-----------|-------------------------|-------------------|--------------------------|------------------|-----------------------|
| | Bonds | | Bonds | | |
| | Principal | Interest | Principal | Interest | |
| 2017 | \$ 471,333 | \$ 48,114 | \$ 275,591 | \$ 11,060 | \$ 806,098 |
| 2018 | 471,333 | 22,832 | 275,591 | 8,365 | 778,121 |
| 2019 | 51,333 | 15,162 | 275,591 | 5,288 | 347,374 |
| 2020 | 51,333 | 13,673 | 19,667 | 2,739 | 87,412 |
| 2021 | 51,333 | 11,286 | 19,667 | 2,532 | 84,818 |
| 2022-2026 | 256,665 | 19,217 | 98,334 | 9,563 | 383,779 |
| 2027-2031 | - | 1,190 | 39,333 | 2,380 | 42,903 |
| | <u>\$ 1,353,330</u> | <u>\$ 131,474</u> | <u>\$ 1,003,774</u> | <u>\$ 41,927</u> | <u>\$ 2,530,505</u> |

No interest costs were capitalized during the period. The amount of interest costs incurred and charged to expense for the year ended June 30, 2016 was \$13,831.

The following is a summary of leases outstanding as of June 30, 2016:

The Town has entered into a 2013 capital lease for a copier with a cost of \$12,600. The lease is for five years with monthly payments of \$230 through November of 2018. The effective interest rate is 3.766% per annum.

The annual principal and interest requirements to amortize the capital lease for the years ending June 30 are as follows:

| | |
|--|-----------------|
| 2017 | \$ 2,760 |
| 2018 | 2,760 |
| 2019 | 690 |
| Total minimum lease payments | <u>6,210</u> |
| Less: Amount representing interest | <u>(265)</u> |
| Present value of future minimum lease payments | <u>\$ 5,945</u> |

All bonds payable and capital leases payable are direct obligations of the Town, for which its full faith and credit are pledged. The Town is not obligated for any special assessment debt. All debt is payable from taxes levied on all taxable property within the Town.

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 8 - OPERATING LEASES

The Town leases voting equipment from the State of Maine under a non-cancellable lease agreement. The term of the lease is for a 5 year period ending in 2017. Annual payments are \$589.

NOTE 9 - NONSPENDABLE FUND BALANCES

The Town has the following nonspendable fund balances at June 30, 2016:

| | |
|---------------|------------------------|
| General Fund: | |
| Prepaid items | <u>\$ 500</u> |

NOTE 10 - RESTRICTED FUND BALANCES

The Town has the following restricted fund balances at June 30, 2016:

| | |
|--|------------------------|
| Special Revenue Funds (See Schedule D) | \$ 242,149 |
| Permanent Funds (See Schedule F) | <u> 8,513</u> |
| | <u>\$ 250,662</u> |

NOTE 11 - COMMITTED FUND BALANCES

The Town has the following committed fund balances at June 30, 2016:

| | |
|--|----------------------|
| Special Revenue Funds (See Schedule D) | <u>\$ 2,185,826</u> |
|--|----------------------|

NOTE 12 - RISK MANAGEMENT

The Town is a member of the Maine Municipal Association – Worker Compensation Trust Fund (“Fund”). The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund’s membership, obtain lower costs for worker’s compensation coverage and develop a comprehensive loss control program. The Town pays an annual premium to the fund for its worker’s compensation coverage. The Town’s agreement with the Fund provides that the fund will be self-sustaining through member premiums and will provide, through commercial company’s reinsurance contracts, coverage for claims in excess of \$1,000,000.

The Town is also a member of the Maine Municipal Association – Property and Casualty Pool. The Town pays an annual premium for its property and liability coverage. Under the property coverage portion of the Pool, coverage is provided after the deductible is met, to \$26,000,000. Under the liability portion of the Pool, coverage is provided after the deductible is met, to \$1,000,000.

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - RISK MANAGEMENT (CONTINUED)

Based on the coverage provided by the insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2016. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

NOTE 13 - DEFINED BENEFIT PENSION PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description

Town employees contribute to the Maine Public Employees Retirement System (MainePERS), a cost-sharing multiple-employer defined benefit pension plan established by the Maine State Legislature. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the Participating Local District (PLD) Consolidated Plan's advisory group, which reviews the terms of the plan and periodically makes recommendations to the Legislature to amend the terms. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained online at www.maineopers.org or by contacting the System at 1-800-451-9800.

Benefits Provided

The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The System's retirement programs 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 (effective October 1, 1999, the prior ten year requirement was reduced by legislative action to five years for employees of PLDs). 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. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by contract with PLD employers under applicable statutory provisions.

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 5.0%.

Contributions

The contribution requirements of plan members and the Town are established and may be amended by the Maine State Legislature. The Town's police department employees are part of special plan "2C" with cost-of-living adjustment and are required to contribute 7.5% of their annual salary. The town manager, department heads, office workers, highway, transfer station and sewer department employees are part of regular plan "AC" and are required to contribute 7.5% of their annual salary. The Town is required to contribute 8.9% of special plan "2C" members' covered payroll and 8.9% of regular plan "AC" members' covered payroll annually to the system. The Town's contributions to the plan including employee contributions for the fiscal years ended June 30, 2016, 2015 and 2014 were \$172,291, \$135,840 and \$137,382, respectively.

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

At June 30, 2016, the Town reported a liability of \$619,168 for its proportionate share of the net pension liabilities for the plan. The net pension liabilities were measured as of June 30, 2015, and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liabilities were based on a projection of the Town's long-term share of contributions to each pension plan relative to the projected contributions of all PLDs, actuarially determined. At June 30, 2015, the Town's proportion was .1941%, which was a decrease of .0193% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town recognized total pension expense of \$167,273. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

| | PLD Plan | |
|--|-----------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 25,000 | \$ 79,522 |
| Changes of assumptions | 54,718 | - |
| Net difference between projected and actual earnings on pension plan investments | 191,098 | 237,876 |
| Changes in proportion and differences between contributions and proportionate share of contributions | - | 60,981 |
| Contributions subsequent to the measurement date | 93,459 | - |
| Total | <u>\$ 364,275</u> | <u>\$ 378,379</u> |

\$93,459 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 liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | PLD Plan |
|---------------------|-------------|
| Year ended June 30: | |
| 2016 | \$ (50,584) |
| 2017 | (50,584) |
| 2018 | (54,171) |
| 2019 | 47,774 |
| 2020 | - |
| Thereafter | - |

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions

The collective total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2015, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

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

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

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

Asset Valuation Method

The actuarial valuation employs a technique for determining the actuarial value of assets which dampens the swing in the market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the actuarial assumption for investment return.

Amortization

The net pension liability of the PLD Consolidated Plan is amortized on an open basis over a period of fifteen years.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2015 are as follows:

Investment Rate of Return - For the PLD Plan, 7.125% per annum, compounded annually.

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions (Continued)

Salary Increases, Merit and Inflation - Members of the consolidated plan for PLDs, 3.50% to 9.50% per year.

Mortality Rates - For participating local districts, the RP2000 Tables projected forward to 2015 using Scale AA are used; for all recipients of disability benefits, the Revenue Ruling 96-7 Disabled Mortality Table for Males and Females is used.

Cost of Living Benefit Increases - 2.55% for participating local districts.

The long-term expected rate of return on pension plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by 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 June 30, 2015 are summarized in the following table:

| Asset Class | PLD Plan | |
|-----------------|-------------------|--|
| | Target Allocation | Long-term Expected Real Rate of Return |
| US equities | 20% | 5.2% |
| Non-US equities | 20% | 5.5% |
| Private equity | 10% | 7.6% |
| Real assets: | | |
| Real estate | 10% | 3.7% |
| Infrastructure | 10% | 4.0% |
| Hard assets | 5% | 4.8% |
| Fixed income | 25% | 0.7% |

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions (Continued)

Discount Rate

The discount rate used to measure the collective total pension liability was 7.125% for 2015. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability/(asset) as of June 30, 2015 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 7.125% for the PLD Consolidated Plan.

| | 1% Decrease | Discount Rate | 1% Increase |
|--|----------------|------------------|----------------|
| <u>PLD Plan:</u> | | | |
| Discount rate | 6.125% | 7.125% | 8.125% |
| Town's proportionate share of the net pension liability | \$ 1,233,565 | \$ 619,168 | \$ 36,681 |

Changes in Net Pension Liability

Changes in net pension liability are recognized in pension expense for the year ended June 30, 2015 with the following exceptions:

Differences between Expected and Actual Experience

The difference between expected and actual experience with regard to economic or demographic factors were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. For 2015, this was 4 years for the PLD Consolidated Plan.

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes in Net Pension Liability (Continued)

Differences between Projected and Actual Investment Earnings

Differences between projected and actual investment earnings were recognized in pension expense using a straight-line amortization method over a closed five-year period.

Changes in Assumptions

Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan.

Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions

Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability.

Pension Plan Fiduciary Net Position

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS' 2015 Comprehensive Annual Financial Report available online at www.maineopers.org or by contacting the System at (800) 451-9800.

NOTE 14 - DEFERRED COMPENSATION PLANS

INTERNATIONAL CITY/COUNTY MANAGEMENT RETIREMENT CORPORATION

Plan Description

The Town contributes to a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457 through the International City/County Management Association Retirement Corporation (ICMA-RC). The plan, available to Town employees as part of a collective bargaining agreement, Town management and

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 14 - DEFERRED COMPENSATION PLANS (CONTINUED)

professional level employees, permits them to defer a portion of their salary, in addition to Town contributions, until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseen emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) to be held in a trust for the exclusive benefit of the participants and their beneficiaries.

It is the opinion of the Town's management that the Town has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

Funding Policy

The contribution requirements of plan members and the Town are established and may be amended by the Town's Board of Select Board. The Town will contribute 1% of annual salary for professional level employees that participate in the Town's defined benefit plan. For professional employees that choose to participate in the 457 plan alone, the Town will contribute an amount equal to the required employer contribution for the defined benefit plan plus 1.00%. For the Town's office workers, highway and police department employees that choose not to join the Town's defined benefit plan, the Town will contribute an amount up to 5.3% of their annual salary.

The Town's contributions to the plan including employee contributions for 2016, 2015, and 2014 were \$165,616, \$94,923 and \$90,947, respectively. These amounts include loans.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM - 457 DEFERRED
COMPENSATION PLAN

Plan Description

The Town contributes to a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457 through the Maine Public Employees Retirement System (MainePERS). The plan, available to Town employees as part of a collective bargaining agreement, Town management and professional level employees, permits them to defer a portion of their salary, in addition to Town contributions, until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseen emergency.

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 14 - DEFERRED COMPENSATION PLANS (CONTINUED)

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) to be held in a trust for the exclusive benefit of the participants and their beneficiaries.

It is the opinion of the Town's management that the Town has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

Funding Policy

The contribution requirements of plan members and the Town are established and may be amended by the Town's Board of Selectmen. The Town will contribute 1% of annual salary for professional level employees that participate in the Town's defined benefit plan. For professional employees that choose to participate in the 457 plan alone, the Town will contribute an amount equal to the required employer contribution for the defined benefit plan plus 1.00%. For the Town's office workers, highway and police department employees that choose not to join the Town's defined benefit plan, the Town will contribute an amount up to 5.3% of their annual salary. The employee's and the Town's matching contribution vests 100% with the employee when contributed.

The Town's contributions to the plan including employee contributions for 2016, 2015, and 2014 were \$1,448, \$ 1,380 and \$1,426, respectively.

NOTE 15 - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The Town of Jay's landfill is at 100% capacity to date. Therefore, the estimated remaining landfill life is zero years. Federal and state laws require that certain post closure care be met. The Town estimates that on an annual basis, some immaterial costs will be incurred for post closure care. The annual amount will be paid for within the Town's annual operating budget.

NOTE 16 - OVERSPENT APPROPRIATIONS

The Town had no overspent appropriations at June 30, 2016.

NOTE 17 - CONTINGENCIES

With regard to unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the Town's financial position.

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 17 – CONTINGENCIES (CONTINUED)

The Town participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the Town's compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

NOTE 18 - JOINT VENTURES

The Town is a member of a joint venture with the Town of Livermore Falls, Maine for the purpose of constructing, operating, and maintaining sewerage treatment facilities. Together, both towns are obligated by contract to fund a reserve account to cover the cost of major repairs or replacements at the facilities. As of the fiscal year ended June 30, 2015, the most recent information available, the balance in the reserve account was \$100,000. Operating, maintenance, and administrative costs for the sewerage treatment plant and disposal facilities are prorated between the towns based on metered volume of flow.

Summarized financial information for the joint venture as of and for the year ended June 30, 2015 is as follows:

| | |
|---|--------------|
| Total Assets | \$ 5,823,095 |
| Total Fund Balance | \$ 5,772,832 |
| Total Expenses (net of depreciation on assets purchased with contributed capital | \$ 416,706 |
| Operating Income (Loss) | \$ (25,563) |

The Town of Jay accounts for its investment in the joint venture using the equity method. The equity method requires the original investment to be recorded at cost. Subsequently, the carrying amount of the investment is adjusted for the investee's proportionate share of the joint venture income/loss. The Town's share of capital cost was agreed to be 52.3% of the joint venture. Operating income/losses have been allocated based on the capital contribution ratio. The joint venture's audited financial statements are available at Livermore Falls-Jay Sewerage Treatment Plant, 2 Main Street, Livermore Falls, Maine 04254 or at the Jay, Maine Town Office.

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 19 - OVERLAPPING DEBT

The Town is responsible for its proportionate share of County and School District debt. As of June 30, 2016, the Town's share was as follows:

| | <u>Outstanding Debt</u> | <u>Town's Percentage</u> | <u>Total Share</u> |
|-----------------|-----------------------------|------------------------------|------------------------|
| RSU No. 73 | \$ 4,590,359 | 70.38% | \$ 3,230,695 |
| Franklin County | 501,227 | 18.02% | 90,321 |
| | | | <u>\$ 3,321,016</u> |

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Government Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions
- Notes to Required Supplementary Information

TOWN OF JAY, MAINE

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
 BUDGET AND ACTUAL – GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2016

| | Budgeted Amounts | | Actual Amounts | Variance |
|---------------------------------------|---------------------|---------------------|---------------------|------------------------|
| | Original | Final | | Positive (Negative) |
| Budgetary Fund Balance, July 1 | \$ 5,979,677 | \$ 5,979,677 | \$ 5,979,677 | \$ - |
| Resources (Inflows): | | | | |
| Property taxes | 14,191,349 | 14,191,349 | 13,252,589 | (938,760) |
| Excise taxes | 650,000 | 650,000 | 773,242 | 123,242 |
| Intergovernmental | 1,287,087 | 1,403,169 | 1,257,708 | (145,461) |
| Charges for services | 71,600 | 112,385 | 117,218 | 4,833 |
| Miscellaneous revenues | 35,000 | 38,346 | 41,033 | 2,687 |
| Transfers from other funds | - | - | - | - |
| Amounts Available for Appropriation | <u>22,214,713</u> | <u>22,374,926</u> | <u>21,421,467</u> | <u>(953,459)</u> |
| Charges to Appropriations (Outflows): | | | | |
| General government | 637,984 | 637,984 | 580,526 | 57,458 |
| Public safety | 1,276,638 | 1,280,414 | 1,202,578 | 77,836 |
| Public works | 1,243,000 | 1,243,825 | 1,010,466 | 233,359 |
| Transfer station | 579,300 | 618,005 | 425,476 | 192,529 |
| Donations | 28,150 | 28,150 | 28,150 | - |
| Recreation & library | 179,911 | 179,911 | 179,911 | - |
| Education | 8,970,148 | 8,970,148 | 8,970,148 | - |
| County tax | 938,282 | 938,282 | 938,282 | - |
| Insurance | 156,000 | 156,000 | 125,643 | 30,357 |
| TIF | 965,818 | 965,818 | 965,818 | - |
| Unclassified | 283,931 | 400,823 | 267,502 | 133,321 |
| Transfer to other funds | 975,874 | 975,889 | 975,889 | - |
| Total Charges to Appropriations | <u>16,235,036</u> | <u>16,395,249</u> | <u>15,670,389</u> | <u>724,860</u> |
| Budgetary Fund Balance, June 30 | <u>\$ 5,979,677</u> | <u>\$ 5,979,677</u> | <u>\$ 5,751,078</u> | <u>\$ (228,599)</u> |

See accompanying independent auditors' report and notes to financial statements.

TOWN OF JAY, MAINE

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-------------|-------------|-------------|
| <u>PLD Plan:</u> | | | |
| Proportion of the net pension liability (asset) | 0.19% | 0.21% | 0.22% |
| Proportionate share of the net pension liability (asset) | \$ 619,168 | \$ 328,347 | \$ 693,408 |
| Covered-employee payroll | 1,050,106 | 1,976,829 | 1,021,441 |
| Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 58.96% | 16.61% | 67.89% |
| Plan fiduciary net position as a percentage of the total pension liability | 88.30% | 94.10% | 87.50% |

* The amounts presented for each fiscal year were determined as of June 30, and are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

TOWN OF JAY, MAINE

SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS*

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|-----------------|------------------|-----------------|
| <u>PLD Plan:</u> | | | |
| Contractually required contribution | \$ 93,459 | \$ 135,840 | \$ 71,058 |
| Contributions in relation to the contractually required contribution | <u>(93,459)</u> | <u>(135,840)</u> | <u>(71,058)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered-employee payroll | \$ 1,050,106 | \$ 1,976,829 | \$ 1,021,441 |
| Contributions as a percentage of covered- employee payroll | 8.90% | 6.87% | 6.96% |

* The amounts presented for each fiscal year are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

TOWN OF JAY, MAINE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

Changes of Assumptions

There was a change in the investment rate of return assumption this year from 7.25% to 7.125%. This change was made in the other MainePERS Programs with the 2014 valuation, but is first being recognized in the PLD Consolidated Plan in 2015. In addition to this change, the cost of living benefit increase assumption was changed from 3.12% to 2.55%. Further, those PLDs who had an IUUAL Surplus account received a refund of that account. As a result, there will be no more IUUAL surplus payments reflected beginning with the 2015 valuation. Finally, the amortization methodology for the Pooled Unfunded Actuarial Liability (PUAL) was changed from a fifteen-year open level dollar method to a method where a separate twenty-year closed period is established annually for the gain or loss in that year with these amortizations being developed as a level percentage of payroll and amortizing the existing PUAL at the time of this change, July 1, 2015, over a closed fifteen-year period beginning on this date.

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Budgetary Comparison Schedule - Budget Basis - Budget and Actual - General Fund Revenues
- Schedule of Departmental Operations - General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Balance Sheet - Nonmajor Permanent Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Permanent Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

TOWN OF JAY, MAINE

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
 BUDGET AND ACTUAL – GENERAL FUND REVENUES
 FOR THE YEAR ENDED JUNE 30, 2016

| | Original Budget | Final Budget | Actual Amounts | Variance Positive (Negative) |
|--|----------------------|----------------------|----------------------|------------------------------------|
| Revenues (Inflows): | | | | |
| Taxes: | | | | |
| Property taxes | \$ 14,191,349 | \$ 14,191,349 | \$ 13,252,589 | \$ (938,760) |
| Auto excise | 646,000 | 646,000 | 768,911 | 122,911 |
| Boat excise | 4,000 | 4,000 | 4,331 | 331 |
| Intergovernmental revenues: | | | | |
| State revenue sharing | 200,000 | 200,000 | 236,371 | 36,371 |
| Homestead reimbursement | 126,160 | 126,160 | 126,160 | - |
| Tree growth | 7,000 | 7,000 | 6,392 | (608) |
| BETE reimbursement | 950,927 | 950,927 | 764,037 | (186,890) |
| Veteran's/other reimbursement | 3,000 | 119,082 | 124,748 | 5,666 |
| Charges for services: | | | | |
| Solid waste fees | 40,000 | 78,705 | 75,697 | (3,008) |
| Administration fees | 22,000 | 22,000 | 21,873 | (127) |
| Building rent | 5,000 | 5,000 | 8,400 | 3,400 |
| Police | 1,000 | 3,050 | 3,182 | 132 |
| Other | 3,600 | 3,630 | 8,066 | 4,436 |
| Miscellaneous revenues: | | | | |
| Tax lien interest | 16,000 | 16,000 | 18,443 | 2,443 |
| Investment interest | 10,000 | 10,000 | 10,286 | 286 |
| Lien fees | 9,000 | 9,000 | 10,159 | 1,159 |
| Sale of fixed assets | - | 810 | 1,310 | 500 |
| Other | - | 2,536 | 835 | (1,701) |
| Transfers from other funds | - | - | - | - |
| Amounts Available for Appropriation | <u>\$ 16,235,036</u> | <u>\$ 16,395,249</u> | <u>\$ 15,441,790</u> | <u>\$ (953,459)</u> |

See accompanying independent auditors' report and notes to financial statements.

TOWN OF JAY, MAINE

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

| | Original Budget | Budget Adjustments | Final Budget | Actual | Variance Positive (Negative) |
|---------------------------|--------------------|-----------------------|------------------|------------------|---------------------------------|
| General government: | | | | | |
| Administration | \$ 524,530 | \$ - | \$ 524,530 | \$ 487,337 | \$ 37,193 |
| Town boards | 1,500 | - | 1,500 | 827 | 673 |
| Board of Selectmen | 12,265 | - | 12,265 | 10,925 | 1,340 |
| Buildings & grounds | 99,689 | - | 99,689 | 81,437 | 18,252 |
| | <u>637,984</u> | <u>-</u> | <u>637,984</u> | <u>580,526</u> | <u>57,458</u> |
| Public safety: | | | | | |
| Police department | 749,528 | 2,050 | 751,578 | 715,743 | 35,835 |
| Fire department | 166,220 | 1,726 | 167,946 | 151,378 | 16,568 |
| Ambulance | 56,100 | - | 56,100 | 37,335 | 18,765 |
| Hydrants/water | 304,790 | - | 304,790 | 298,122 | 6,668 |
| | <u>1,276,638</u> | <u>3,776</u> | <u>1,280,414</u> | <u>1,202,578</u> | <u>77,836</u> |
| Public works: | | | | | |
| Road/building maintenance | 1,243,000 | 825 | 1,243,825 | 1,010,466 | 233,359 |
| | <u>1,243,000</u> | <u>825</u> | <u>1,243,825</u> | <u>1,010,466</u> | <u>233,359</u> |
| Transfer station: | | | | | |
| Transfer station | 579,300 | 38,705 | 618,005 | 425,476 | 192,529 |
| | <u>579,300</u> | <u>38,705</u> | <u>618,005</u> | <u>425,476</u> | <u>192,529</u> |
| Donations: | | | | | |
| Agencies | 28,150 | - | 28,150 | 28,150 | - |
| | <u>28,150</u> | <u>-</u> | <u>28,150</u> | <u>28,150</u> | <u>-</u> |

TOWN OF JAY, MAINE

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

| | Original Budget | Budget Adjustments | Final Budget | Actual | Variance Positive (Negative) |
|-------------------------|--------------------|-----------------------|------------------|------------------|---------------------------------|
| Recreation and library: | | | | | |
| Recreation | 12,000 | - | 12,000 | 12,000 | - |
| Library | 167,911 | - | 167,911 | 167,911 | - |
| | <u>179,911</u> | <u>-</u> | <u>179,911</u> | <u>179,911</u> | <u>-</u> |
| Education | <u>8,970,148</u> | <u>-</u> | <u>8,970,148</u> | <u>8,970,148</u> | <u>-</u> |
| County tax | <u>938,282</u> | <u>-</u> | <u>938,282</u> | <u>938,282</u> | <u>-</u> |
| Insurance | <u>156,000</u> | <u>-</u> | <u>156,000</u> | <u>125,643</u> | <u>30,357</u> |
| TIF | <u>965,818</u> | <u>-</u> | <u>965,818</u> | <u>965,818</u> | <u>-</u> |
| Unclassified: | | | | | |
| Industrial revaluation | 25,000 | - | 25,000 | 22,523 | 2,477 |
| Audit | 13,000 | - | 13,000 | 12,100 | 900 |
| Local access | - | 5,297 | 5,297 | 5,297 | - |
| Assessing | 31,700 | - | 31,700 | 31,684 | 16 |
| AVCOG | 11,525 | - | 11,525 | 11,521 | 4 |
| MMA | 9,250 | - | 9,250 | 8,999 | 251 |
| Plumbing inspect. | 1,000 | - | 1,000 | 1,000 | - |
| Chamber of Commerce | 45 | - | 45 | 40 | 5 |
| Andy Valley | - | 4,789 | 4,789 | 4,789 | - |
| General assistance | 6,500 | 5,996 | 12,496 | 9,218 | 3,278 |
| Overlay | 94,436 | - | 94,436 | - | 94,436 |
| Grants | - | 100,000 | 100,000 | 100,000 | - |
| Special tax | 31,475 | - | 31,475 | - | 31,475 |
| Tax acquired | - | 810 | 810 | 597 | 213 |
| Legal fees | 60,000 | - | 60,000 | 59,734 | 266 |
| | <u>283,931</u> | <u>116,892</u> | <u>400,823</u> | <u>267,502</u> | <u>133,321</u> |

TOWN OF JAY, MAINE

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

| | <u>Original Budget</u> | <u>Budget Adjustments</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|----------------------------|----------------------------|-------------------------------|-------------------------|----------------------|---|
| Transfers: | | | | | |
| Admin reserve | 5,000 | - | 5,000 | 5,000 | - |
| Police reserve | 30,000 | - | 30,000 | 30,000 | - |
| Highway department reserve | 75,000 | - | 75,000 | 75,000 | - |
| Highway building reserve | 5,000 | - | 5,000 | 5,000 | - |
| Paving reserve | 225,000 | - | 225,000 | 225,000 | - |
| Fire dept. reserve | 85,000 | 15 | 85,015 | 85,015 | - |
| Building and grounds | 5,000 | - | 5,000 | 5,000 | - |
| Recycling reserve | 47,000 | - | 47,000 | 47,000 | - |
| Recycling facility reserve | 11,500 | - | 11,500 | 11,500 | - |
| Town revaluation | 50,000 | - | 50,000 | 50,000 | - |
| Enterprise funds | 437,374 | - | 437,374 | 437,374 | - |
| | <u>975,874</u> | <u>15</u> | <u>975,889</u> | <u>975,889</u> | <u>-</u> |
| Total Expenditures | <u>\$ 16,235,036</u> | <u>\$ 160,213</u> | <u>\$ 16,395,249</u> | <u>\$ 15,670,389</u> | <u>\$ 724,860</u> |

See accompanying independent auditors' report and notes to financial statements.

TOWN OF JAY, MAINE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

| | Special Revenue Funds | Permanent Funds | Total Nonmajor Governmental Funds |
|--|-----------------------------|-----------------------------|---|
| | <u> </u> | <u> </u> | <u> </u> |
| ASSETS | | | |
| Cash and cash equivalents | \$ 2,204,194 | \$ - | \$ 2,204,194 |
| Investments | 21,838 | 9,313 | 31,151 |
| Due from other funds | 211,285 | - | 211,285 |
| TOTAL ASSETS | <u><u>\$ 2,437,317</u></u> | <u><u>\$ 9,313</u></u> | <u><u>\$ 2,446,630</u></u> |
| LIABILITIES | | | |
| Due to other funds | \$ 9,342 | \$ 800 | \$ 10,142 |
| TOTAL LIABILITIES | <u><u>9,342</u></u> | <u><u>800</u></u> | <u><u>10,142</u></u> |
| FUND BALANCES | | | |
| Restricted | 242,149 | 8,513 | 250,662 |
| Committed | 2,185,826 | - | 2,185,826 |
| TOTAL FUND BALANCES | <u><u>2,427,975</u></u> | <u><u>8,513</u></u> | <u><u>2,436,488</u></u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u><u>\$ 2,437,317</u></u> | <u><u>\$ 9,313</u></u> | <u><u>\$ 2,446,630</u></u> |

See accompanying independent auditors' report and notes to financial statements.

TOWN OF JAY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

| | Special Revenue Funds | Permanent Funds | Total Nonmajor Governmental Funds |
|---|-----------------------------|------------------------|---|
| REVENUES | | | |
| Intergovernmental | \$ 89,528 | \$ - | \$ 89,528 |
| Interest | 3,937 | 29 | 3,966 |
| Other | 45,466 | - | 45,466 |
| TOTAL REVENUES | <u>138,931</u> | <u>29</u> | <u>138,960</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 68,981 | - | 68,981 |
| Public safety | 59,076 | - | 59,076 |
| Public works | 509,905 | - | 509,905 |
| Health and welfare | 20,548 | - | 20,548 |
| Other | - | 1,200 | 1,200 |
| TOTAL EXPENDITURES | <u>658,510</u> | <u>1,200</u> | <u>659,710</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(519,579)</u> | <u>(1,171)</u> | <u>(520,750)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 538,515 | - | 538,515 |
| Transfers (out) | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>538,515</u> | <u>-</u> | <u>538,515</u> |
| NET CHANGE IN FUND BALANCES | 18,936 | (1,171) | 17,765 |
| FUND BALANCES - JULY 1, RESTATED | <u>2,409,039</u> | <u>9,684</u> | <u>2,418,723</u> |
| FUND BALANCES - JUNE 30 | <u><u>\$ 2,427,975</u></u> | <u><u>\$ 8,513</u></u> | <u><u>\$ 2,436,488</u></u> |

See accompanying independent auditors' report and notes to financial statements.

Special Revenue Funds

Special revenue funds are established to account for the proceeds of specific revenue sources (other than fiduciary trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

TOWN OF JAY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016

| | Recycling Reserve | Highway Department Reserve | Police Reserve | Recycling Facility Reserve | Small Comm. Grant | Taylor Made |
|--|----------------------|----------------------------------|-------------------|----------------------------------|-------------------------|-----------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 201,320 | \$ 149,459 | \$ 26,450 | \$ 94,937 | \$ - | \$ - |
| Investments | - | - | - | - | - | - |
| Due from other funds | - | - | - | - | 2,724 | 5,000 |
| TOTAL ASSETS | \$ 201,320 | \$ 149,459 | \$ 26,450 | \$ 94,937 | \$ 2,724 | \$ 5,000 |
| LIABILITIES | | | | | | |
| Due to other funds | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| TOTAL LIABILITIES | - | - | - | - | - | - |
| FUND BALANCES | | | | | | |
| Restricted | - | - | - | - | 2,724 | 5,000 |
| Committed | 201,320 | 149,459 | 26,450 | 94,937 | - | - |
| TOTAL FUND BALANCES | 201,320 | 149,459 | 26,450 | 94,937 | 2,724 | 5,000 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 201,320 | \$ 149,459 | \$ 26,450 | \$ 94,937 | \$ 2,724 | \$ 5,000 |

TOWN OF JAY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016

| | Garbage Bags | Environmental Reserve | Tower Fund | Jay Community Development | Cemetery | Paving Reserve | Sewer Treatment Plant | Fire Department Reserve |
|--|------------------|--------------------------|-------------------|---------------------------------|------------------|-------------------|-----------------------------|-------------------------------|
| ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ - | \$ 762,866 | \$ - | \$ 9,233 | \$ 26,046 | \$ 47,884 | \$ 319,735 | \$ 336,431 |
| Investments | - | - | - | 21,838 | - | - | - | - |
| Due from other funds | 27,618 | - | 172,470 | - | - | - | - | - |
| TOTAL ASSETS | <u>\$ 27,618</u> | <u>\$ 762,866</u> | <u>\$ 172,470</u> | <u>\$ 31,071</u> | <u>\$ 26,046</u> | <u>\$ 47,884</u> | <u>\$ 319,735</u> | <u>\$ 336,431</u> |
| LIABILITIES | | | | | | | | |
| Due to other funds | \$ - | \$ 4 | \$ - | \$ - | \$ - | \$ - | \$ 1,619 | \$ - |
| TOTAL LIABILITIES | <u>-</u> | <u>4</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,619</u> | <u>-</u> |
| FUND BALANCES | | | | | | | | |
| Restricted | - | - | 172,470 | 31,071 | 26,046 | - | - | - |
| Committed | 27,618 | 762,862 | - | - | - | 47,884 | 318,116 | 336,431 |
| TOTAL FUND BALANCES | <u>27,618</u> | <u>762,862</u> | <u>172,470</u> | <u>31,071</u> | <u>26,046</u> | <u>47,884</u> | <u>318,116</u> | <u>336,431</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 27,618</u> | <u>\$ 762,866</u> | <u>\$ 172,470</u> | <u>\$ 31,071</u> | <u>\$ 26,046</u> | <u>\$ 47,884</u> | <u>\$ 319,735</u> | <u>\$ 336,431</u> |

TOWN OF JAY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2016

| | SK EMS | Buildings & Grounds | Jay Historical Society | Admin Reserve | Veterans Memorial Fund | Wellness Works |
|--|--------------|------------------------|---------------------------|------------------|------------------------------|-------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ - | \$ 41,423 | \$ 1,028 | \$ 56,087 | \$ 2,558 | \$ - |
| Investments | - | - | - | - | - | - |
| Due from other funds | 10 | - | - | - | - | 2,280 |
| TOTAL ASSETS | <u>\$ 10</u> | <u>\$ 41,423</u> | <u>\$ 1,028</u> | <u>\$ 56,087</u> | <u>\$ 2,558</u> | <u>\$ 2,280</u> |
| LIABILITIES | | | | | | |
| Due to other funds | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| TOTAL LIABILITIES | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | | | | |
| Restricted | - | - | - | - | 2,558 | 2,280 |
| Committed | 10 | 41,423 | 1,028 | 56,087 | - | - |
| TOTAL FUND BALANCES | <u>10</u> | <u>41,423</u> | <u>1,028</u> | <u>56,087</u> | <u>2,558</u> | <u>2,280</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 10</u> | <u>\$ 41,423</u> | <u>\$ 1,028</u> | <u>\$ 56,087</u> | <u>\$ 2,558</u> | <u>\$ 2,280</u> |

TOWN OF JAY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016

| | Sled - in Fest | Highway Buidling Reserve | Jay Gazebo | Hyde Rd Route 133 Project | Town Revaluation | Asset Forfeiture | NBRC | Totals |
|--|-------------------|--------------------------------|-----------------|---------------------------------|---------------------|---------------------|------------------|---------------------|
| ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ - | \$ 54,297 | \$ 5,434 | \$ - | \$ 9,883 | \$ 3,374 | \$ 55,749 | \$ 2,204,194 |
| Investments | - | - | - | - | - | - | - | 21,838 |
| Due from other funds | 1,183 | - | - | - | - | - | - | 211,285 |
| TOTAL ASSETS | \$ 1,183 | \$ 54,297 | \$ 5,434 | \$ - | \$ 9,883 | \$ 3,374 | \$ 55,749 | \$ 2,437,317 |
| LIABILITIES | | | | | | | | |
| Due to other funds | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 7,719 | \$ 9,342 |
| TOTAL LIABILITIES | - | - | - | - | - | - | 7,719 | 9,342 |
| FUND BALANCES | | | | | | | | |
| Restricted | - | - | - | - | - | - | - | 242,149 |
| Committed | 1,183 | 54,297 | 5,434 | - | 9,883 | 3,374 | 48,030 | 2,185,826 |
| TOTAL FUND BALANCES | 1,183 | 54,297 | 5,434 | - | 9,883 | 3,374 | 48,030 | 2,427,975 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 1,183 | \$ 54,297 | \$ 5,434 | \$ - | \$ 9,883 | \$ 3,374 | \$ 55,749 | \$ 2,437,317 |

See accompanying independent auditors' report and notes to financial statements.

TOWN OF JAY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR YEAR ENDED JUNE 30, 2016

| | Recycling Reserve | Highway Department Reserve | Police Reserve | Recycling Facility Reserve | Small Comm. Grant | Taylor Made |
|--|-------------------|----------------------------|------------------|----------------------------|-------------------|-----------------|
| REVENUES | | | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Interest | 297 | 220 | 48 | 142 | - | - |
| Other | 1,000 | - | - | - | - | - |
| TOTAL REVENUES | 1,297 | 220 | 48 | 142 | - | - |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | - | - | - | - | - | - |
| Public safety | - | - | 29,574 | - | - | - |
| Public works | - | 3,982 | - | - | - | - |
| Health and welfare | - | - | - | - | - | - |
| TOTAL EXPENDITURES | - | 3,982 | 29,574 | - | - | - |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 1,297 | (3,762) | (29,526) | 142 | - | - |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | 47,000 | 75,000 | 30,000 | 11,500 | - | - |
| Transfers (out) | - | - | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 47,000 | 75,000 | 30,000 | 11,500 | - | - |
| NET CHANGE IN FUND BALANCES | 48,297 | 71,238 | 474 | 11,642 | - | - |
| FUND BALANCES - JULY 1 | 153,023 | 78,221 | 25,976 | 83,295 | 2,724 | 5,000 |
| FUND BALANCES - JUNE 30 | <u>\$ 201,320</u> | <u>\$ 149,459</u> | <u>\$ 26,450</u> | <u>\$ 94,937</u> | <u>\$ 2,724</u> | <u>\$ 5,000</u> |

TOWN OF JAY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR YEAR ENDED JUNE 30, 2016

| | Garbage Bags | Enviro- mental Reserve | Tower Fund | Jay Community Develop. | Cemetery | Paving Reserve | Sewer Treatment Plant | Fire Department Reserve |
|---|------------------|------------------------------|-------------------|------------------------------|------------------|-------------------|-----------------------------|-------------------------------|
| REVENUES | | | | | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 83,852 | \$ - | \$ - |
| Interest | - | 1,595 | - | 177 | 39 | 95 | 469 | 541 |
| Other | 4,831 | - | 11,051 | - | 1,250 | 1,782 | 18,225 | - |
| TOTAL REVENUES | <u>4,831</u> | <u>1,595</u> | <u>11,051</u> | <u>177</u> | <u>1,289</u> | <u>85,729</u> | <u>18,694</u> | <u>541</u> |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| General government | - | - | 2,725 | - | 4,435 | - | - | - |
| Public safety | - | - | - | - | - | - | - | 29,082 |
| Public works | - | - | - | - | - | 505,923 | - | - |
| Health and welfare | 3,430 | 12,301 | - | - | - | - | 4,817 | - |
| TOTAL EXPENDITURES | <u>3,430</u> | <u>12,301</u> | <u>2,725</u> | <u>-</u> | <u>4,435</u> | <u>505,923</u> | <u>4,817</u> | <u>29,082</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>1,401</u> | <u>(10,706)</u> | <u>8,326</u> | <u>177</u> | <u>(3,146)</u> | <u>(420,194)</u> | <u>13,877</u> | <u>(28,541)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Transfers in | - | - | - | - | - | 225,000 | - | 85,015 |
| Transfers (out) | - | - | - | - | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>225,000</u> | <u>-</u> | <u>85,015</u> |
| NET CHANGE IN FUND BALANCES | <u>1,401</u> | <u>(10,706)</u> | <u>8,326</u> | <u>177</u> | <u>(3,146)</u> | <u>(195,194)</u> | <u>13,877</u> | <u>56,474</u> |
| FUND BALANCES - JULY 1 | <u>26,217</u> | <u>773,568</u> | <u>164,144</u> | <u>30,894</u> | <u>29,192</u> | <u>243,078</u> | <u>304,239</u> | <u>279,957</u> |
| FUND BALANCES - JUNE 30 | <u>\$ 27,618</u> | <u>\$ 762,862</u> | <u>\$ 172,470</u> | <u>\$ 31,071</u> | <u>\$ 26,046</u> | <u>\$ 47,884</u> | <u>\$ 318,116</u> | <u>\$ 336,431</u> |

TOWN OF JAY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR YEAR ENDED JUNE 30, 2016

| | SK EMS | Buildings & Grounds | Jay Historical Society | Admin Reserve | Veterans Memorial Fund | Wellness Works |
|---|-----------|------------------------|---------------------------|------------------|------------------------------|-------------------|
| REVENUES | | | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Interest | - | 57 | - | 84 | 8 | - |
| Other | - | 5,275 | 41 | - | - | 125 |
| TOTAL REVENUES | - | 5,332 | 41 | 84 | 8 | 125 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | - | 1,525 | - | - | - | 506 |
| Public safety | - | - | - | - | - | - |
| Public works | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | - | - |
| TOTAL EXPENDITURES | - | 1,525 | - | - | - | 506 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | - | 3,807 | 41 | 84 | 8 | (381) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | - | 5,000 | - | 5,000 | - | - |
| Transfers (out) | - | - | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | - | 5,000 | - | 5,000 | - | - |
| NET CHANGE IN FUND BALANCES | - | 8,807 | 41 | 5,084 | 8 | (381) |
| FUND BALANCES - JULY 1 | 10 | 32,616 | 987 | 51,003 | 2,550 | 2,661 |
| FUND BALANCES - JUNE 30 | \$ 10 | \$ 41,423 | \$ 1,028 | \$ 56,087 | \$ 2,558 | \$ 2,280 |

TOWN OF JAY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR YEAR ENDED JUNE 30, 2016

| | Sled - in Fest | Highway Building Reserve | Jay Gazebo | Hyde Rd Route 133 Project | Town Revaluation | Asset Forfeiture | NBRC | Totals |
|---|-------------------|--------------------------------|---------------|---------------------------------|---------------------|---------------------|-----------|--------------|
| REVENUES | | | | | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 5,676 | \$ 89,528 |
| Interest | - | 81 | - | - | 6 | 5 | 73 | 3,937 |
| Other | 1,799 | - | 87 | - | - | - | - | 45,466 |
| TOTAL REVENUES | 1,799 | 81 | 87 | - | 6 | 5 | 5,749 | 138,931 |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| General government | 616 | - | - | - | 51,455 | - | 7,719 | 68,981 |
| Public safety | - | - | - | - | - | 420 | - | 59,076 |
| Public works | - | - | - | - | - | - | - | 509,905 |
| Health and welfare | - | - | - | - | - | - | - | 20,548 |
| TOTAL EXPENDITURES | 616 | - | - | - | 51,455 | 420 | 7,719 | 658,510 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 1,183 | 81 | 87 | - | (51,449) | (415) | (1,970) | (519,579) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Transfers in | - | 5,000 | - | - | 50,000 | - | - | 538,515 |
| Transfers (out) | - | - | - | - | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | - | 5,000 | - | - | 50,000 | - | - | 538,515 |
| NET CHANGE IN FUND BALANCES | 1,183 | 5,081 | 87 | - | (1,449) | (415) | (1,970) | 18,936 |
| FUND BALANCES - JULY 1 | - | 49,216 | 5,347 | - | 11,332 | 3,789 | 50,000 | 2,409,039 |
| FUND BALANCES - JUNE 30 | \$ 1,183 | \$ 54,297 | \$ 5,434 | \$ - | \$ 9,883 | \$ 3,374 | \$ 48,030 | \$ 2,427,975 |

See accompanying independent auditors' report and notes to financial statements.

Permanent Funds

Permanent funds are used to account for assets held by the Town of Jay, Maine that are legally restricted pursuant to Title 30-A, §5653 of the Maine State Statutes, as amended, and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the Town or its citizenry. These funds have been established for various purposes including the provision of scholarships for resident students and the support of public schools in the Town of Jay.

TOWN OF JAY, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2016

| | Poland Sullivan Fund | Total |
|--|----------------------------|-----------------|
| ASSETS | | |
| Investments | \$ 9,313 | \$ 9,313 |
| Due from other funds | - | - |
| TOTAL ASSETS | <u>\$ 9,313</u> | <u>\$ 9,313</u> |
| LIABILITIES | | |
| Due to other funds | \$ 800 | \$ 800 |
| TOTAL LIABILITIES | <u>800</u> | <u>800</u> |
| FUND BALANCES | | |
| Restricted | <u>8,513</u> | <u>8,513</u> |
| TOTAL FUND BALANCES | <u>8,513</u> | <u>8,513</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 9,313</u> | <u>\$ 9,313</u> |

See accompanying independent auditors' report and notes to financial statements.

TOWN OF JAY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES – NONMAJOR PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

| | Poland Sullivan Fund | Total |
|---|----------------------------|----------|
| REVENUES | | |
| Interest | \$ 29 | \$ 29 |
| TOTAL REVENUES | 29 | 29 |
| EXPENDITURES | | |
| Other | 1,200 | 1,200 |
| TOTAL EXPENDITURES | 1,200 | 1,200 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (1,171) | (1,171) |
| OTHER FINANCING SOURCES (USES) | | |
| Transfers in | - | - |
| Transfers (out) | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - |
| NET CHANGE IN FUND BALANCES | (1,171) | (1,171) |
| FUND BALANCES - JULY 1 | 9,684 | 9,684 |
| FUND BALANCES - JUNE 30 | \$ 8,513 | \$ 8,513 |

See accompanying independent auditors' report and notes to financial statements.

General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position.

TOWN OF JAY, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2016

| | Land and Non-depreciable Assets | Buildings, Building Improvements & Land Improvements | Furniture, Fixtures, Equipment & Vehicles | Infrastructure | Totals |
|--------------------------------|---------------------------------------|--|--|----------------|---------------|
| Police | \$ - | \$ - | \$ 324,444 | \$ - | \$ 324,444 |
| Fire | 24,215 | 580,132 | 1,590,873 | - | 2,195,220 |
| Highway | 32,638 | 784,295 | 1,996,117 | 8,551,059 | 11,364,109 |
| Recycling | 48,500 | 974,170 | 677,448 | 1,350 | 1,701,468 |
| Recreation | 65,400 | - | 8,346 | - | 73,746 |
| Library | - | - | 562,238 | - | 562,238 |
| Town-wide | 596,568 | 1,223,992 | 85,933 | - | 1,906,493 |
| Transfer station | - | - | 49,428 | - | 49,428 |
| Sewer Department | 709,254 | 1,258,000 | 130,464 | 5,411,822 | 7,509,540 |
| Total General Capital Assets | 1,476,575 | 4,820,589 | 5,425,291 | 13,964,231 | 25,686,686 |
| Less: Accumulated Depreciation | - | (2,754,420) | (4,329,984) | (8,424,268) | (15,508,672) |
| Net General Capital Assets | \$ 1,476,575 | \$ 2,066,169 | \$ 1,095,307 | \$ 5,539,963 | \$ 10,178,014 |

See accompanying independent auditors' report and notes to financial statements.

TOWN OF JAY, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2016

| | General Capital Assets 7/1/15 | Additions | Deletions | General Capital Assets 6/30/16 |
|--------------------------------|--|-------------------|---------------------|---|
| Police | \$ 324,444 | \$ - | \$ - | \$ 324,444 |
| Fire | 2,207,491 | - | (12,271) | 2,195,220 |
| Highway | 10,849,596 | 514,513 | - | 11,364,109 |
| Recycling | 1,796,542 | - | (95,074) | 1,701,468 |
| Recreation | 73,746 | - | - | 73,746 |
| Library | 562,238 | - | - | 562,238 |
| Town-wide | 1,906,493 | - | - | 1,906,493 |
| Transfer station | 224,768 | - | (175,340) | 49,428 |
| Sewer Department | 6,846,601 | 662,939 | - | 7,509,540 |
| Total General Capital Assets | 24,791,919 | 1,177,452 | (282,685) | 25,686,686 |
| Less: Accumulated Depreciation | <u>(14,867,318)</u> | <u>(793,056)</u> | <u>151,702</u> | <u>(15,508,672)</u> |
| Net General Capital Assets | <u>\$ 9,924,601</u> | <u>\$ 384,396</u> | <u>\$ (130,983)</u> | <u>\$ 10,178,014</u> |

See accompanying independent auditors' report and notes to financial statements.



Proven Expertise and Integrity

INDEPENDENT AUDITORS' 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*

Board of Selectmen
Town of Jay
Jay, 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, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Jay, Maine as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Jay, Maine's basic financial statements, and have issued our report thereon dated October 25, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Jay, 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 Jay, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Jay, 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.

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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.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion 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.

A handwritten signature in cursive script that reads "RHR Smith & Company".

Buxton, Maine
October 25, 2016