

2017

# Financial Statements Town of Madison, Maine June 30, 2017

Madison, Me.

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Audited Financial Statements and  
Other Financial Information

Town of Madison, Maine

June 30, 2017



*Proven Expertise and Integrity*

TOWN OF MADISON, MAINE

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JUNE 30, 2017

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## INDEPENDENT AUDITORS' REPORT

Board of Selectmen  
Town of Madison  
Madison, Maine

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Madison, Maine as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Madison, Maine'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,

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we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Madison, Maine as of June 30, 2017, 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 and budgetary comparison information on pages 4 through 11 and 42 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 Madison, Maine's basic financial statements. The Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund Revenues, Schedule of Departmental Operations – General Fund, combining and individual nonmajor fund financial statements and capital asset

schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund Revenues, 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 Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund Revenues, 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 6, 2017, on our consideration of the Town of Madison, 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 Madison, Maine’s internal control over financial reporting and compliance.

*RHR Smith & Company*

Buxton, Maine  
October 6, 2017



**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**(UNAUDITED)**

The following management's discussion and analysis of the Town of Madison, Maine's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the Town's financial statements.

**Financial Statement Overview**

The Town of Madison, Maine'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 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 one column for the Town's activities. The type of activity presented for the Town of Madison:

- *Governmental activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). All of the Town's basic services are reported in governmental activities, which include general government, public safety, public works, parks and recreation, cemeteries, community and social agencies, education and unclassified.

### **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 Madison, Maine, 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 Madison, Maine can be classified as governmental funds.

*Governmental funds:* All 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 Madison, Maine presents 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 "All 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.

### **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 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.

### **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.

### **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 the net position, and changes in net position of the Town's governmental activities. The Town's total net position for governmental activities increased by \$314,742 from \$8.63 million to \$8.95 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 - increased for governmental activities to a balance of \$2,220,347 at the end of this year.

**Table 1**  
**Town of Madison, Maine**  
**Net Position**  
**June 30,**

	<b>Governmental Activities</b>	
	<b>2017</b>	<b>2016 (Restated)</b>
<b>Assets</b>		
Current Assets	\$ 2,949,594	\$ 2,843,162
Capital Assets	6,120,212	5,994,302
Total Assets	<u>9,069,806</u>	<u>8,837,464</u>
<b>Liabilities</b>		
Current Liabilities	63,009	147,225
Long-term Debt Outstanding	32,205	30,541
Total Liabilities	<u>95,214</u>	<u>177,766</u>
<b>Deferred Inflows of Resources</b>		
Prepaid Taxes	26,828	26,676
Total Deferred Inflows of Resources	<u>26,828</u>	<u>26,676</u>
<b>Net Position</b>		
Net Investment in Capital Assets	6,120,212	5,994,302
Restricted: Special Revenue Funds	306,532	552,639
Permanent Funds	300,673	302,224
Unrestricted	2,220,347	1,783,857
Total Net Position	<u>\$ 8,947,764</u>	<u>\$ 8,633,022</u>

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

	<b>Governmental Activities</b>	
	<b>2017</b>	<b>2016</b>
<b>Revenues</b>		
<i>Program revenues:</i>		
Charges for services	\$ 141,694	\$ 91,748
Operating grants and contributions	59,600	59,876
<i>General revenues:</i>		
Taxes	8,425,592	8,172,051
Grants and contributions not restricted to specific programs	885,189	878,635
Miscellaneous	186,135	199,787
Total Revenues	9,698,210	9,402,097
<b>Expenses</b>		
General government	581,168	587,333
Public safety	966,115	970,204
Public works	1,010,923	1,024,437
Parks and recreation	69,295	72,680
Cemeteries	29,963	31,079
Community and social agencies	178,890	194,251
Education	4,972,897	4,972,897
County tax	858,605	1,140,205
Unclassified	715,415	728,511
Capital outlay	197	1,406
Total Expenses	9,383,468	9,723,003
Change in Net Position	314,742	(320,906)
Net Position - July 1, Restated	8,633,022	8,953,928
Net Position - June 30	\$ 8,947,764	\$ 8,633,022

**Revenues and Expenses**

Revenues for the Town's governmental activities increased by 3.15%, while total expenses decreased by 3.49%. Tax revenues experienced the largest increase while community and social agencies and county tax expenses had the largest decreases.

## 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 Madison, Maine**  
**Fund Balances - Governmental Funds**  
**June 30,**

	<b>2017</b>	<b>2016 (Restated)</b>
General Fund:		
Nonspendable	\$ 27,882	\$ 44,998
Assigned	484,612	481,051
Unassigned	1,412,288	1,023,007
Total General Fund	\$ 1,924,782	\$ 1,549,056
Nonmajor Funds:		
Special Revenue Funds:		
Nonspendable	\$ 46,371	\$ 49,705
Restricted	306,532	552,639
Permanent Funds:		
Nonspendable	28,046	28,046
Restricted	272,627	274,178
Total Nonmajor Funds	\$ 653,576	\$ 904,568

The general fund total fund balance increased by \$375,726 from the prior fiscal year. The nonmajor fund balances decreased by \$250,992 from the prior fiscal year.

### Budgetary Highlights

The significant difference between the original and final budget for the general fund was due to the use of assigned fund balance.

The general fund actual revenues were over budget by \$469,656. This was mainly the result of excess receipts in excise taxes, miscellaneous revenues and transfers from other funds.

The general fund actual expenditures were under the budget by \$484,558. All expenditure categories were under budget with the exception of public safety and community and social agencies.

## **Capital Asset and Debt Administration**

### **Capital Assets**

As of June 30, 2017, the net book value of capital assets recorded by the Town increased by \$125,910 from the prior year. This increase is the result of current year additions of \$388,168 less current year depreciation expense of \$262,258.

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

	<b>2017</b>	<b>2016</b>
Land and non-depreciable assets	\$ 976,169	\$ 976,169
Buildings, building improvements and land improvements	785,941	811,261
Machinery, equipment and vehicles	737,526	793,700
Infrastructure	3,620,576	3,413,172
Total	<b>\$ 6,120,212</b>	<b>\$ 5,994,302</b>

### **Debt**

The only debt that the Town had as of June 30, 2017 was accrued compensated absences.

## **Currently Known Facts, Decisions, or Conditions**

### **Economic Factors and Next Year's Budgets and Rates**

The sale of the assets of the former Madison Paper Industries concluded in calendar year 2017. The paper making facility known as the 'upper mill' and 12 acres of land was sold to Somerset Acquisitions in January 2017. The remaining assets, which include 67% of the hydro-electric dams, were sold to Eagle Creek in August of 2017.

The April 1, 2017 valuations of these assets represented a further loss of valuation of approximately \$18,000,000.

The former Madison Paper Industries (MPI) continues to seek an abatement for 2016 property taxes. The request is currently awaiting a hearing before the State of Maine Board of Property Tax Review. If the request is granted, the Town's liability with fees and interest would be approximately \$800,000.

The Town added to its unassigned fund balance in FY17 and continues to maintain an amount suitable to sustain government operations for a period of approximately two months. During the 2017 Town Meeting in June, residents approved authorizing the Board of Selectmen to extend the line of credit for an additional year to maintain options for paying a large abatement to MPI.

Madison added valuation from the Solar Array built by IGS Solar and added 6 units of housing for residents 55 and older. The Town's largest employer changed hands in 2017 as Backyard Farms was purchased by Mastronardi, a family owned produce company with large greenhouse facilities in the U.S. and Canada.

In 2017, the Maine State Legislature approved \$148,000,000 in additional state aid to education over two years, with the stipulation that 50% be utilized for tax relief. Expectations are that next year's municipal and school budgets will see incremental increases that could be balanced by increased revenues.

### **Contacting the Town's Financial Management**

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, the Treasurer for the Town of Madison can be reached at P.O. Box 190, Madison, Maine 04950.



TOWN OF MADISON, MAINE  
STATEMENT OF NET POSITION  
JUNE 30, 2017

	Primary Government Governmental Activities	Component Unit
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,735,785	\$ 835,029
Restricted cash	-	746,294
Investments	613,507	-
Accounts receivable (net of allowance for uncollectibles):		
Taxes	371,703	931,415
Liens	93,441	-
Notes	46,371	159,758
Other	1,586	6,233
Due from other governments	59,319	-
Inventory	-	345,150
Prepaid items	-	92,543
Tax acquired property	27,882	-
Total current assets	2,949,594	3,116,422
Noncurrent assets:		
Note receivable, less current portion	-	1,600,080
Capital assets:		
Land and other assets not being depreciated	976,169	-
Buildings and vehicles, net of accumulated depreciation	5,144,043	5,189,743
Total noncurrent assets	6,120,212	6,789,823
<b>TOTAL ASSETS</b>	<b>\$ 9,069,806</b>	<b>\$ 9,906,245</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 54,499	\$ 365,923
Other accrued payables	3,909	39,126
Customer deposits	-	17,821
Current portion of long-term obligations	4,601	170,000
Total current liabilities	63,009	592,870
Noncurrent liabilities:		
Noncurrent portion of long-term obligations:		
Bond payable, less current portion	-	1,480,000
Accrued compensated absences	32,205	67,954
Total noncurrent liabilities	32,205	1,547,954
<b>TOTAL LIABILITIES</b>	<b>95,214</b>	<b>2,140,824</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Prepaid taxes	26,828	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>26,828</b>	<b>-</b>
<b>NET POSITION</b>		
Net investment in capital assets	6,120,212	3,539,743
Restricted for: Special revenue funds	306,532	-
Permanent funds	300,673	-
Other purposes	-	746,294
Unrestricted	2,220,347	3,479,384
<b>TOTAL NET POSITION</b>	<b>8,947,764</b>	<b>7,765,421</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 9,069,806</b>	<b>\$ 9,906,245</b>

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

TOWN OF MADISON, MAINE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

STATEMENT B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position	
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Governmental Activities	Component Unit
Primary government:						
Governmental activities:						
General government	\$ 581,168	\$ 32,296	\$ -	\$ -	\$ (548,872)	
Public safety	966,115	54,479	-	-	(911,636)	
Public works	1,010,923	34,674	59,600	-	(916,649)	
Parks and recreation	69,295	1,500	-	-	(67,795)	
Cemeteries	29,963	-	-	-	(29,963)	
Community and social agencies	178,890	9,340	-	-	(169,550)	
Education	4,972,897	-	-	-	(4,972,897)	
County tax	858,605	-	-	-	(858,605)	
Unclassified	715,415	9,405	-	-	(706,010)	
Capital outlay	197	-	-	-	(197)	
Total governmental activities	<u>\$ 9,383,468</u>	<u>\$ 141,694</u>	<u>\$ 59,600</u>	<u>\$ -</u>	<u>(9,182,174)</u>	
Component unit:						
Madison electric works	\$ 5,265,699	\$ 4,997,404	\$ -	\$ 27,992		\$ (240,303)
Total component unit	<u>\$ 5,265,699</u>	<u>\$ 4,997,404</u>	<u>\$ -</u>	<u>\$ 27,992</u>		<u>(240,303)</u>

## TOWN OF MADISON, MAINE

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

	Primary Government <u>Governmental Activities</u>	<u>Component Unit</u>
Changes in net position:		
Net (expense) revenue	<u>(9,182,174)</u>	<u>(240,303)</u>
General revenues:		
Taxes:		
Property taxes, levied for general purposes	7,648,606	-
Excise taxes	776,986	-
Grants and contributions not restricted to specific programs	885,189	-
Miscellaneous	<u>186,135</u>	<u>87,736</u>
Total general revenues	<u>9,496,916</u>	<u>87,736</u>
Change in net position	314,742	(152,567)
NET POSITION - JULY 1, RESTATED	<u>8,633,022</u>	<u>7,917,988</u>
NET POSITION - JUNE 30	<u>\$ 8,947,764</u>	<u>\$ 7,765,421</u>

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

## TOWN OF MADISON, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2017

	General Fund	All Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,651,102	\$ 84,683	\$ 1,735,785
Investments	153,953	459,554	613,507
Accounts receivable (net of allowance for uncollectibles):			
Taxes	371,703	-	371,703
Liens	93,441	-	93,441
Notes	-	46,371	46,371
Other	1,586	-	1,586
Due from other governments	59,319	-	59,319
Tax acquired property	27,882	-	27,882
Due from other funds	-	62,968	62,968
<b>TOTAL ASSETS</b>	<b>\$ 2,358,986</b>	<b>\$ 653,576</b>	<b>\$ 3,012,562</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 54,499	\$ -	\$ 54,499
Accrued expenses	3,909	-	3,909
Due to other funds	62,968	-	62,968
<b>TOTAL LIABILITIES</b>	<b>121,376</b>	<b>-</b>	<b>121,376</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Prepaid taxes	26,828	-	26,828
Deferred tax revenues	286,000	-	286,000
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>312,828</b>	<b>-</b>	<b>312,828</b>
<b>FUND BALANCES</b>			
Nonspendable	27,882	74,417	102,299
Restricted	-	579,159	579,159
Committed	-	-	-
Assigned	484,612	-	484,612
Unassigned	1,412,288	-	1,412,288
<b>TOTAL FUND BALANCES</b>	<b>1,924,782</b>	<b>653,576</b>	<b>2,578,358</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 2,358,986</b>	<b>\$ 653,576</b>	<b>\$ 3,012,562</b>

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

## TOWN OF MADISON, MAINE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2017

	Total Governmental Funds
Total Fund Balances	\$ 2,578,358
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	6,120,212
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	286,000
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Accrued compensated absences	(36,806)
Net position of governmental activities	\$ 8,947,764

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

## TOWN OF MADISON, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	All Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes:			
Property taxes	\$ 7,582,606	\$ -	\$ 7,582,606
Excise taxes	776,986	-	776,986
Intergovernmental	944,789	-	944,789
Charges for services	141,694	-	141,694
Miscellaneous revenues	152,896	33,239	186,135
<b>TOTAL REVENUES</b>	<b>9,598,971</b>	<b>33,239</b>	<b>9,632,210</b>
<b>EXPENDITURES</b>			
Current:			
General government	553,713	-	553,713
Public safety	918,815	-	918,815
Public works	821,678	-	821,678
Parks and recreation	69,135	-	69,135
Cemeteries	29,963	-	29,963
Community and social agencies	179,927	-	179,927
Education	4,972,897	-	4,972,897
County tax	858,605	-	858,605
Unclassified	96,401	911,893	1,008,294
Capital outlay	94,449	-	94,449
<b>TOTAL EXPENDITURES</b>	<b>8,595,583</b>	<b>911,893</b>	<b>9,507,476</b>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,003,388</b>	<b>(878,654)</b>	<b>124,734</b>
<b>OTHER FINANCING SOURCES</b>			
Transfers in	285,249	912,911	1,198,160
Transfers (out)	(912,911)	(285,249)	(1,198,160)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(627,662)</b>	<b>627,662</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>375,726</b>	<b>(250,992)</b>	<b>124,734</b>
<b>FUND BALANCES - JULY 1, RESTATED</b>	<b>1,549,056</b>	<b>904,568</b>	<b>2,453,624</b>
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 1,924,782</b>	<b>\$ 653,576</b>	<b>\$ 2,578,358</b>

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

## TOWN OF MADISON, MAINE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 124,734</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 acquisitions	388,168
Depreciation expense	<u>(262,258)</u>
	<u>125,910</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Taxes and liens receivable	<u>66,000</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	<u>(1,902)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 314,742</u></u>

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

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting Entity**

The Town of Madison 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, public safety, public works, parks and recreation, cemeteries, community and social agencies, education 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 one component unit, Madison Electric Works (MEW), a department of the Town of Madison, Maine, as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61. December 31st is the year-end of MEW and the last separate financial statements were as of and for the year ended December 31, 2016. The amounts included in the Town's 2017 financial statements for MEW are as of and for the year ended December 31, 2016. Refer to Note 17 of Notes to Financial Statements for additional information.

**Implementation of New Accounting Standards**

During the year ended June 30, 2017, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

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.

Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*". The objective of the Statement is to improve the disclosure of information about benefits other than pensions (other postemployment benefits or OPEB) included in financial statements of state and local governments. This Statement will improve financial reporting through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are



TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

administered through trusts that meet specified criteria. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 77, "*Tax Abatement Disclosures*". The objective of the Statement is to improve disclosure of information about the nature and magnitude of tax abatements, making these transactions more transparent to financial statement users. As such, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 80, "*Blending Requirements for Certain Component Units*". The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 81, "*Irrevocable Split-Interest Agreements*". The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements—in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. As such, this Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 82, "*Pension Issues*". The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. 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).

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

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.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions (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. 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.

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

The emphasis in fund financial statements is on the major funds in the governmental activities category. Nonmajor funds by category are summarized into a single column, GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources,

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

It is the Town's policy to value investments at fair value. None of the Town's investments are reported at amortized cost. 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

The Town of Madison has no formal investment policy but instead follows the State of Maine Statutes.

**Receivables**

Receivables include amounts due from governmental agencies and local businesses. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with accounts receivable were \$107,276 for the year ended June 30, 2017. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2017.

**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

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Governmental Funds.

**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 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.

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 accrued compensated absences.

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 funds is the same in the fund statements as it is in the government-wide statements.

**Compensated Absences**

The Town's policies regarding vacation and sick time permit employees to accumulate earned but unused vacation and sick leave. The liability for these 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, 2017, the Town's liability for compensated absences is \$36,806.

**Net Position**

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of 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.

**Fund Balance**

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonspendable – This includes amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted – This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the Town. The inhabitants of the Town through Town meetings are the highest level of decision-making authority of the Town. Commitments may be established, modified, or rescinded only through a Town meeting vote.

Assigned – This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is expressed by the Board of Selectmen.

Unassigned – This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Town meeting vote has provided otherwise in its commitment or assignment actions.

**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 currently has no deferred outflows of resources.



TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

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. 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 on May 1, 2017 at 21 mills on the assessed value listed as of April 1, 2016, for all real and personal property located in the Town. Taxes were due on in two installments on September 29, 2016 and March 15, 2017. Interest on unpaid taxes commenced on September 30, 2016 and March 16, 2017, 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 \$294,323 for the year ended June 30, 2017.

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 (charges to customers or applicants for goods, services, or privileges provided; operating or capital grants and contributions, including special assessments).

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

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

State statutes require that all investments made by the Town consider 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. The Town does not have a policy covering custodial credit risk for 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, 2017, the Town's cash balances amounting to \$1,735,785 were comprised of bank deposits of \$1,799,965. Of these bank deposits, \$1,791,462 were fully insured by federal depository insurance and consequently were not exposed to custodial credit risk and \$849 were covered by the Securities Investor Protection Corporation (SIPC). The remaining deposits of \$7,654 were uncollateralized and uninsured.

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 262,905
Savings accounts	25
Repurchase agreements	1,536,151
Cash and cash equivalents	884
	<u>\$ 1,799,965</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. Currently, the Town does not have a policy for custodial credit risk for investments.

At June 30, 2017, the Town's investment balances amounting to \$613,507 were comprised of mutual funds, real estate investment trusts and equities and options. All of the Town's investments were fully covered by the Securities Investor Protection Corporation (SIPC).

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>		
		<u>&lt;1 Year</u>	<u>1 - 5 Years</u>	<u>N/A</u>
Equity Securities:				
Mutual funds	\$ 515,808	\$ -	\$ -	\$ 515,808
REIT	77,166	-	-	77,166
Equities and options	20,533	-	-	20,533
	<u>\$ 613,507</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 613,507</u>

**Fair Value Hierarchy**

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements as of June 30, 2017:

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

	June 30, 2017 Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
<u>Investments by fair value level</u>				
Equity securities:				
Mutual funds - domestic and foreign	\$ 515,808	\$ 515,808	\$ -	\$ -
Real estate investment trusts	77,166	77,166	-	-
Equities and options	20,533	20,533	-	-
Total equity securities	<u>613,507</u>	<u>613,507</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	613,507	<u>\$ 613,507</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cash equivalents measured at the net asset value (NAV)</u>				
Money market mutual funds	884			
Total cash equivalents measured at the NAV	<u>884</u>			
Total investments and cash equivalents measured at fair value	<u>\$ 614,391</u>			

Equity securities classified in Level I of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued from publicly reliable sources or using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The Town has no Level 2 or 3 investments. The fair value of money market mutual funds that are measured at NAV per share (or its equivalent) is calculated as of June 30, 2017 in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies.

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. The Town does not have an investment policy on credit risk.

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 MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2017 consisted of the following individual fund receivables and payables.

	Receivables (Due from)	Payables (Due to)
General Fund	\$ -	\$ 62,968
Nonmajor Special Revenue Funds	62,968	-
	<u>\$ 62,968</u>	<u>\$ 62,968</u>

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2017:

	Balance, 7/1/16	Additions	Disposals	Balance, 6/30/17
<u>Governmental activities</u>				
Non-depreciated assets:				
Land	\$ 976,169	\$ -	\$ -	\$ 976,169
	<u>976,169</u>	<u>-</u>	<u>-</u>	<u>976,169</u>
Depreciated assets:				
Buildings and improvements	930,982	4,335	-	935,317
Land improvements	284,601	-	-	284,601
Vehicles and equipment	2,644,484	46,260	(21,638)	2,669,106
Infrastructure	6,705,428	337,573	-	7,043,001
	<u>10,565,495</u>	<u>388,168</u>	<u>(21,638)</u>	<u>10,932,025</u>
Less: accumulated depreciation	<u>(5,547,362)</u>	<u>(262,258)</u>	<u>21,638</u>	<u>(5,787,982)</u>
	<u>5,018,133</u>	<u>125,910</u>	<u>-</u>	<u>5,144,043</u>
Net governmental capital assets	<u>\$ 5,994,302</u>	<u>\$ 125,910</u>	<u>\$ -</u>	<u>\$ 6,120,212</u>
<u>Current year depreciation:</u>				
General government				\$ 25,553
Public safety				47,300
Public works				189,245
Recreation				160
Total depreciation expense				<u>\$ 262,258</u>

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 5 - NOTES RECEIVABLE

Amounts recorded as loans receivable represent loans made under an economic development program to local businesses. Management has determined that no allowance for loan losses is necessary at June 30, 2017. Bad debt expense for the year ended June 30, 2017 was \$0. The portion of the loans receivable balance expected to be collected beyond a period of one year is reported in the fund financial statements as nonspendable because those resources are unavailable for use in the near term.

NOTE 6 - LINE OF CREDIT

The Town has secured a revolving line of credit with a bank. The maximum amount of the line is \$2,500,000. Interest is payable at a fixed rate of 3.19%. The line of credit is unsecured. The term of the loan will be six years. The first three years will be the revolving period, the final three years will be the repayment period. The loan will permit revolving advances and principal payments on an as needed basis during the first three years and require semiannual payments of interest based on the use of funds during the prior six months. No advances were taken from the line of credit for the year ended June 30, 2017.

NOTE 7 - LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2017:

	Balance, 7/1/16	Additions	Deletions	Balance, 6/30/17	Current Portion
<i><u>Governmental activities:</u></i>					
Accrued compensated absences	\$ 34,904	\$ 1,902	\$ -	\$ 36,806	\$ 4,601

NOTE 8 - NONSPENDABLE FUND BALANCES

At June 30, 2017, the Town had the following nonspendable fund balances:

General Fund:	
Tax Acquired Property	\$ 27,882
Nonmajor Special Revenue Funds (Schedule E)	46,371
Nonmajor Permanent Funds (Schedule G)	28,046
	<u>\$ 102,299</u>

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 9 - RESTRICTED FUND BALANCES

At June 30, 2017, the Town had the following restricted fund balances:

Nonmajor Special Revenue Funds (Schedule E)	\$ 306,532
Nonmajor Permanent Funds (Schedule G)	<u>272,627</u>
	<u><u>\$ 579,159</u></u>

NOTE 10 - ASSIGNED FUND BALANCES

At June 30, 2017, the Town had the following assigned fund balances:

	Balance, 7/1/16	Appropriations	Additions	Reductions	Balance, 6/30/17
Carryforwards:					
General government - cemetery repairs	\$ 1,232	\$ -	\$ 1,268	\$ -	\$ 2,500
General government - admin equipment	3,500	-	-	(3,500)	-
General government - building repairs	-	1,500	1,478	(1,478)	1,500
Public safety - fire department capital	-	-	3,500	-	3,500
Public safety - fire department	-	2,500	1,786	(2,786)	1,500
Public safety - equipment	28,785	-	-	(28,785)	-
Public works - summer roads	3,330	23,750	15,000	(27,080)	15,000
Public works - road surface	209,378	30,000	-	(134,378)	105,000
Public works - equipment	-	30,000	90,000	(30,000)	90,000
Public works - maintenance	-	24,500	4,427	(22,427)	6,500
Recreation - equipment purchase	2,500	-	-	(2,500)	-
Recreation - library building repairs	1,263	3,000	48	(2,811)	1,500
Recreation - supplies	-	6,800	1,270	(7,570)	500
Recreation - fields/facilities	-	4,600	-	(2,600)	2,000
Public mowing	5,000	-	-	(5,000)	-
Community services - tree removal	1,950	-	-	(1,950)	-
Old Point School	-	-	4,000	-	4,000
Madison Anson Days	26,193	-	19,465	(20,542)	25,116
Keep Madison Warm Fund	287	-	-	(233)	54
Christmas Parade Committee	3,834	-	10,150	(6,603)	7,381
189 Main Street Playground/Parking	4,971	-	20,250	(2,971)	22,250
Emergency Management	-	-	2,436	(1,860)	576
Rec Participation	5,368	-	14,676	(15,596)	4,448
Reserves:					
Debt retirement	33,903	-	-	-	33,903
Water access/beach area	6,932	-	-	(3,500)	3,432
Revaluation	114,994	-	9,381	-	124,375
Legal deductible	27,631	-	1,946	-	29,577
	<u>\$ 481,051</u>	<u>\$ 126,650</u>	<u>\$ 201,081</u>	<u>\$ (324,170)</u>	<u>\$ 484,612</u>

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 11 - OVERLAPPING DEBT

The Town is contingently liable for its proportionate share of any defaulted debt by entities of which it is a member. As of June 30, 2017, the Town's share of school, Madison Electric Works, and county debt was as follows:

	<u>Outstanding Debt</u>	<u>Town's Percentage</u>	<u>Total Share</u>
County of Somerset	\$ 15,975,000	6.96%	\$ 1,111,488
Madison Electric Works	1,650,000	100.00%	1,650,000
MSAD No. 59	4,331,935	100.00%	4,331,935
			<u>\$ 7,093,423</u>

NOTE 12 - EXPENDITURES OVER APPROPRIATIONS

At June 30, 2017, the Town had the following overspent appropriations:

	<u>Excess</u>
Community Services (Article 11)	\$ 16,907
Town Owned Property (Article 12)	<u>3,055</u>
	<u>\$ 19,962</u>

NOTE 13 - ECONOMIC DEPENDENCY

A single taxpayer, Madison Paper Industries, is assessed approximately \$910,623 or approximately 11.91% of the Town of Madison's current year tax commitment.

NOTE 14 - TAX INCREMENT FINANCING DISTRICT & ABATEMENTS

**Tax Increment Financing District**

The Town has established a tax increment financing district in accordance with Maine statutes to finance economic development programs located in the Town of Madison, Maine. The expenditures from these development programs will be recovered in future years through an incremental tax levied upon the districts' so called "captured assessed value". A portion of the incremental tax revenues will be returned to the district to repay principal and interest on any indebtedness, to fund the expenditures of the development program, and to finance future expansion.



TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 14 - TAX INCREMENT FINANCING DISTRICT & ABATEMENTS (CONTINUED)

Municipal Development and Tax Increment Financing District

On March 30, 2006, the Madison Board of Selectmen, as well as the Maine Department of Economic and Community Development, approved a Tax Increment Financing District to expand and diversify the Town's tax base and improve its economy. The original District, known as the "Backyard Farms Tract," is comprised of 160 acres with an original assessed value of \$349,840. This agreement was amended in February of 2008 to adjust the District boundaries and to add 85 acres of town-owned public roads. This area is known as "Town Tract 1." In November of 2013 a second amendment request was approved to further adjust the District boundaries and add an additional 94.46 acres with an original assessed value of \$6,817,100. This area is known as "Town Tract 2." The potential projects that will be implemented under this Development Program include: the development of up to 8 multi-acre greenhouses, a cogeneration facility and other ancillary improvements, along with the related machinery and equipment, reconstruction and maintenance of roads, sidewalks and infrastructure, construction of a centrally located public safety building, creation of a local transfer station, economic development planning and administrative expenses associated with the development effort. The Town anticipates over the life of the district that new development, rehabilitation, and redevelopment will result in approximately \$31,641,914 in new taxable value. Tax increment revenues generated from this value over the life of the district will be approximately \$14,849,791. The Development Program provides for 100% of the increase in assessed value of the Backyard Farms Tract to be captured and designated as captured assessed value for 30 years, starting with the Town's 2007-2008 fiscal year. The Town will not capture any of the increased assessed value of Town Tract 1 or Town Tract 2. The tax increment revenues will be deposited by the Town into the Development Program Fund for a period of 30 years. The Development Program Fund is pledged to and charged with the payment of the project costs in the manner provided in 30-A M.R.S.A. §5227(3)(A).

The TIF District will remain in place for a period of 30 years from adoption. The allocation of tax increment revenues, through a credit enhancement agreement, to be paid to owners/developers of specified property, will commence by agreement between the Town and the owner/developer and will continue for a period of 15 or 20 years, or the remainder of the term of the District designation, whichever is less. The actual term will depend on a combination of Company investment in the Backyard Farms Tract of the District and the number of full-time employees (Less than \$60 million invested and less than 170 full-time employees – lesser of 15 years or the remainder of the District term. \$60 million or more invested and 170 or more full-time employees – lesser of 20 years or the remainder of the District term). The percentage of TIF revenues to be paid to the Company varies from 70% to 75%, depending on the number of full-time employees hired and retained by the Company (Less than 350 full-time employees – 70% returned to the Company and 30% retained by the Town. 350 or more full-time

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 14 - TAX INCREMENT FINANCING DISTRICT & ABATEMENTS (CONTINUED)

employees – 75% returned to the Company and 25% retained by the Town). If the value of the taxable property within the original District drops below \$8 million, the Company will not receive any TIF revenues. The remaining amount will be retained by the Town and used to fund the development plan of the District. The Selectmen shall determine, in its discretion, whether it is necessary or appropriate to enter any Credit Enhancement Agreement to grant these abatements. The state law does not provide for the recapture of abated taxes in the event an abatement recipient does not fill the commitment it makes in return for the tax abatement. The Town reserves the right to incur indebtedness to finance, in part or in whole, the projects within the Development Program. Any projects financed through municipal bonded indebtedness must be approved in advance by the Madison voters.

**Abatements**

The Town has not made any commitments as part of the Credit Enhancement Agreements other than to reduce taxes. The Town is not subject to any tax abatement agreements entered into by other governmental entities. The Town currently only has one tax abatement agreement, the Backyard Farms Municipal Development and Tax Increment Financing District, which is summarized below:

*Backyard Farms Municipal Development and Tax Increment Financing District*

In March of 2006, the Town of Madison entered into a credit enhancement agreement with Backyard Farms, LLC for the development of the Backyard Farms greenhouse facility. The agreement is effective for 20 years. 70% of the property taxes to be generated on the improvements within the District will be returned to the developer and 30% will be retained by the Town and used to fund the development plan of the District. If certain hiring thresholds are achieved by Backyard Farms at any point during the 30 year period, the percentage of tax increment revenues captured and returned to Backyard Farms, LLC would increase from 70% to 75%. As such, the percentage of tax increment revenues captured and retained by the Town would decrease from 30% to 25%.

For the fiscal year ended June 30, 2017, the Town abated property taxes for the following program:

<u>Tax Abatement Program</u>	<u>Percentage of Taxes Abated During the Fiscal Year</u>	<u>Amount of Taxes Abated During the Fiscal Year</u>
Backyard Farms Municipal Development and Tax Increment Financing District	70%	\$ 442,785

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 14 - TAX INCREMENT FINANCING DISTRICT & ABATEMENTS (CONTINUED)

The total amount of captured tax increment revenues for this TIF District was \$632,550. The amount of captured tax increment revenues returned to Backyard Farms LLC was \$442,785; representing 70% of the total captured tax increment revenues. The remaining 30% (\$189,765) was retained by the Town for economic development and infrastructure initiatives. In addition, the BETE reimbursement from the State (\$280,361) related to the property added in this TIF district is also captured and retained for the noted designated purpose for a total of \$470,126.

NOTE 15 - DEFERRED COMPENSATION PLAN

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by the International City Management Association Retirement Corporation (ICMA-RC).

The plan, available to all full-time and permanent part-time Town employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. 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 solely the property and rights of the participants. All assets are protected by a trust arrangement from any claims on the Town and from any use by the Town other than paying benefits to employees and their beneficiaries in accordance with the plan.

The Town's deferred compensation plan contribution for the employees for the year ended June 30, 2017, was approximately \$24,629 which was charged to the general fund. The amount withheld from the Town's employees' as deferred compensation which was contributed to the plan was approximately \$34,744 which was charged to the general fund as wages. In addition, Madison Electric Works is allowed to participate in the plan. The amount contributed to the plan from Madison Electric Works (both employee and employer portions) was approximately \$49,654 for the year ended June 30, 2017, which was reimbursed in full by the Electric Works.

NOTE 16 - RISK MANAGEMENT

The Town faces a full realm of risks typical of a thriving entity. Liabilities associated with torts and protections against damage of loss of assets are the general categories of risk for which the Town carries commercial insurance. Specific insurance related to these categories includes general, police and public officials' liability coverage, workers compensation, and automobile insurance. The Town is liable for deductibles ranging up to \$1,000 for settlements exceeding the limits of coverage, which range from \$50,000 to \$3,000,000.

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 16 - 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, 2017. There were no significant reductions in insurance coverage from that of the prior year and the amounts of settlements have not exceeded insurance coverage for each of the past three years.

NOTE 17 - COMPONENT UNIT

The Town of Madison, Maine has discretely presented the following component unit in the financial statements:

Madison Electric Works (MEW), a department of the Town, was created by a legislative act of the State of Maine for the purpose of performing all duties of the Town of Madison in connection with the management and operation of the service area's electric works. MEW services parts of the towns of Madison, Anson, Norridgewock and Starks. Operations of MEW are financed through usage fees charged to customers. MEW is a separate legal entity from the Town, however, debt issued for MEW is backed by the full faith and credit of the Town. Financing costs for MEW debt are provided through user charges. Separately issued financial statements of MEW can be obtained by contacting the Electric Works' superintendent at 6 Business Park Drive, Madison, ME.

NOTE 18 - CONTINGENCIES

With regard to pending legal claims or any 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.

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.

TOWN OF MADISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 19 - RESTATEMENTS

The beginning fund balance of the general fund and the net position of the governmental activities have been restated as of July 1, 2016. These balances were restated to reclassify amounts previously reported as accrued expenses to fund balance accounts. The beginning fund balance of the general fund and the net position of the governmental activities were both restated by \$40,653.

NOTE 20 - COMPARATIVE DATA/RECLASSIFICATIONS

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the Town's financial position and operations. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

## 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

## TOWN OF MADISON, MAINE

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS  
 BUDGET AND ACTUAL – GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, Restated	\$ 1,549,056	\$ 1,549,056	\$ 1,549,056	\$ -
Resources (Inflows):				
Taxes:				
Property taxes	7,648,547	7,648,547	7,582,606	(65,941)
Excise taxes	675,500	675,500	776,986	101,486
Intergovernmental revenues:				
State revenue sharing	279,680	279,680	280,698	1,018
Homestead exemption	173,720	173,720	173,720	-
Local road assistance	59,600	59,600	59,600	-
BETE reimbursement	382,617	382,617	382,694	77
Other	35,700	35,700	48,077	12,377
Charges for services	87,250	87,250	141,694	54,444
Interest income	4,500	4,500	20,720	16,220
Miscellaneous revenues	57,000	57,000	132,176	75,176
Transfers from other funds	10,450	10,450	285,249	274,799
Amounts Available for Appropriation	<u>10,963,620</u>	<u>10,963,620</u>	<u>11,433,276</u>	<u>469,656</u>
Charges to Appropriations (Outflows):				
General government	555,084	555,084	553,713	1,371
Public safety	912,324	918,324	918,815	(491)
Public works	829,250	849,250	821,678	27,572
Parks and recreation	73,400	73,400	69,135	4,265
Cemeteries	33,350	33,350	29,963	3,387
Community and social agencies	161,520	163,020	179,927	(16,907)
Education	4,972,897	4,972,897	4,972,897	-
County tax	858,605	858,605	858,605	-
Unclassified	315,723	358,876	96,401	262,475
Capital outlay	60,000	297,335	94,449	202,886
Transfers to other funds	912,911	912,911	912,911	-
Total Charges to Appropriations	<u>9,685,064</u>	<u>9,993,052</u>	<u>9,508,494</u>	<u>484,558</u>
Budgetary Fund Balance, June 30	<u>\$ 1,278,556</u>	<u>\$ 970,568</u>	<u>\$ 1,924,782</u>	<u>\$ 954,214</u>
Utilization of assigned fund balance	\$ -	\$ 307,988	\$ -	\$ (307,988)
Utilization of unassigned fund balance	270,500	270,500	-	(270,500)
	<u>\$ 270,500</u>	<u>\$ 578,488</u>	<u>\$ -</u>	<u>\$ (578,488)</u>

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

## 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 - Budgetary 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 MADISON, MAINE

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS  
 BUDGET AND ACTUAL – GENERAL FUND REVENUES  
 FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Resources (Inflows):				
Taxes:				
Property taxes	\$ 7,648,547	\$ 7,648,547	\$ 7,582,606	\$ (65,941)
Excise taxes	675,500	675,500	776,986	101,486
Intergovernmental revenues:				
State revenue sharing	279,680	279,680	280,698	1,018
Homestead exemption	173,720	173,720	173,720	-
Tree growth reimbursement	17,500	17,500	19,405	1,905
Veterans' exemption	4,000	4,000	3,873	(127)
Local road assistance	59,600	59,600	59,600	-
BETE reimbursement	382,617	382,617	382,694	77
Other state/federal funds	14,200	14,200	24,799	10,599
Charges for services:				
Town clerk fees/licenses	25,000	25,000	26,141	1,141
Code enforcement/permit fees	4,750	4,750	6,155	1,405
Public safety	1,700	1,700	54,479	52,779
Public works income	34,600	34,600	34,674	74
Parks and recreation	2,000	2,000	1,500	(500)
Library	9,800	9,800	9,340	(460)
Town owned property	9,400	9,400	9,405	5
Investment income:				
Regular investment income	4,500	4,500	20,720	16,220
Other revenues:				
Fees/interest on taxes	40,000	40,000	40,897	897
Cable t.v. franchise	-	-	19,307	19,307
Misc. other	17,000	17,000	71,972	54,972
Transfers from other funds	10,450	10,450	285,249	274,799
Amounts Available for Appropriation	<u>\$ 9,414,564</u>	<u>\$ 9,414,564</u>	<u>\$ 9,884,220</u>	<u>\$ 469,656</u>

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

## TOWN OF MADISON, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
<b>EXPENDITURES</b>					
General government:					
Administration	\$ 475,122	\$ -	\$ 475,122	\$ 465,350	\$ 9,772
Planning board	5,862	-	5,862	5,758	104
Code enforcement	16,500	-	16,500	16,333	167
Boards & commissions	19,800	-	19,800	19,322	478
Elections	2,500	-	2,500	2,541	(41)
Assessing	35,300	-	35,300	44,409	(9,109)
	<u>555,084</u>	<u>-</u>	<u>555,084</u>	<u>553,713</u>	<u>1,371</u>
Public safety:					
Ambulance	72,825	-	72,825	72,825	-
Police department	485,000	-	485,000	488,832	(3,832)
Fire department	100,290	2,500	102,790	97,260	5,530
Fire grant	-	-	-	2,000	(2,000)
Animal control officer	7,000	3,500	10,500	7,710	2,790
Street lights	60,000	-	60,000	62,980	(2,980)
Hydrants	187,209	-	187,209	187,208	1
	<u>912,324</u>	<u>6,000</u>	<u>918,324</u>	<u>918,815</u>	<u>(491)</u>
Public works:					
Public areas	65,000	-	65,000	63,837	1,163
Waste disposal	195,000	5,000	200,000	198,644	1,356
General operations	544,500	-	544,500	531,050	13,450
Winter roads	1,000	-	1,000	1,200	(200)
Summer roads	23,750	15,000	38,750	26,947	11,803
	<u>829,250</u>	<u>20,000</u>	<u>849,250</u>	<u>821,678</u>	<u>27,572</u>

SCHEDULE B (CONTINUED)

TOWN OF MADISON, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Parks and recreation:					
Preble Avenue	15,700	-	15,700	12,610	3,090
Recreation	57,700	-	57,700	56,525	1,175
	<u>73,400</u>	<u>-</u>	<u>73,400</u>	<u>69,135</u>	<u>4,265</u>
Cemeteries	<u>33,350</u>	<u>-</u>	<u>33,350</u>	<u>29,963</u>	<u>3,387</u>
Community and social agencies:					
Community programs	42,395	1,500	43,895	42,284	1,611
Library	105,325	-	105,325	104,043	1,282
Service organizations	13,800	-	13,800	33,600	(19,800)
	<u>161,520</u>	<u>1,500</u>	<u>163,020</u>	<u>179,927</u>	<u>(16,907)</u>
Education	<u>4,972,897</u>	<u>-</u>	<u>4,972,897</u>	<u>4,972,897</u>	<u>-</u>
County tax	<u>858,605</u>	<u>-</u>	<u>858,605</u>	<u>858,605</u>	<u>-</u>
Capital outlay:					
Roads	30,000	202,585	232,585	58,879	173,706
Public works equipment	30,000	-	30,000	30,000	-
Administration	-	3,000	3,000	1,820	1,180
Police	-	28,000	28,000	-	28,000
Recreation	-	2,500	2,500	2,500	-
Library work	-	1,250	1,250	1,250	-
	<u>60,000</u>	<u>237,335</u>	<u>297,335</u>	<u>94,449</u>	<u>202,886</u>

SCHEDULE B (CONTINUED)

TOWN OF MADISON, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Unclassified:					
Old Point	18,300	2,500	20,800	23,089	(2,289)
Playground	1,800	-	1,800	1,761	39
Rink/volley	1,300	-	1,300	2,105	(805)
Water access/beach area	-	-	-	3,500	(3,500)
Foreclosure	-	-	-	18,141	(18,141)
Madison Anson Days	-	26,193	26,193	20,542	5,651
Keep Madison Warm Fund	-	287	287	233	54
Christmas Parade Committee	-	3,834	3,834	6,603	(2,769)
189 Main Street Playground/Parking	-	4,971	4,971	2,971	2,000
Emergency Management	-	-	-	1,860	(1,860)
Rec Participation	-	5,368	5,368	15,596	(10,228)
Overlay	294,323	-	294,323	-	294,323
	<u>315,723</u>	<u>43,153</u>	<u>358,876</u>	<u>96,401</u>	<u>262,475</u>
Transfers to other funds:					
Special revenue funds	912,911	-	912,911	912,911	-
	<u>912,911</u>	<u>-</u>	<u>912,911</u>	<u>912,911</u>	<u>-</u>
Total Expenditures	<u>\$ 9,685,064</u>	<u>\$ 307,988</u>	<u>\$ 9,993,052</u>	<u>\$ 9,508,494</u>	<u>\$ 484,558</u>

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

## TOWN OF MADISON, MAINE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2017

	Special Revenue Funds	Permanent Funds	Total Nonmajor Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 84,447	\$ 236	\$ 84,683
Investments	159,117	300,437	459,554
Notes receivable	46,371	-	46,371
Due from other funds	62,968	-	62,968
<b>TOTAL ASSETS</b>	<u><u>\$ 352,903</u></u>	<u><u>\$ 300,673</u></u>	<u><u>\$ 653,576</u></u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
<b>TOTAL LIABILITIES</b>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
<b>FUND BALANCES</b>			
Nonspendable	46,371	28,046	74,417
Restricted	306,532	272,627	579,159
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
<b>TOTAL FUND BALANCES</b>	<u><u>352,903</u></u>	<u><u>300,673</u></u>	<u><u>653,576</u></u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 352,903</u></u>	<u><u>\$ 300,673</u></u>	<u><u>\$ 653,576</u></u>

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

## TOWN OF MADISON, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2017

	Special Revenue Funds	Permanent Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
Investment income, net of unrealized gains/(losses)	\$ 16,921	\$ 13,198	\$ 30,119
Other	3,120	-	3,120
<b>TOTAL REVENUES</b>	<u>20,041</u>	<u>13,198</u>	<u>33,239</u>
<b>EXPENDITURES</b>			
Program expenses	911,893	-	911,893
<b>TOTAL EXPENDITURES</b>	<u>911,893</u>	<u>-</u>	<u>911,893</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(891,852)</u>	<u>13,198</u>	<u>(878,654)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	912,911	-	912,911
Transfers (out)	(270,500)	(14,749)	(285,249)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>642,411</u>	<u>(14,749)</u>	<u>627,662</u>
<b>NET CHANGE IN FUND BALANCES</b>	(249,441)	(1,551)	(250,992)
<b>FUND BALANCES - JULY 1</b>	<u>602,344</u>	<u>302,224</u>	<u>904,568</u>
<b>FUND BALANCES - JUNE 30</b>	<u>\$ 352,903</u>	<u>\$ 300,673</u>	<u>\$ 653,576</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 expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

SCHEDULE E

TOWN OF MADISON, MAINE

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2017

	Public Library Expendable Trust Fund	Dorothy Brown Expendable Trust Fund	Backyard Farms Capture & Retain TIF	Backyard Farms Capture & Return TIF	Revolving Loan Fund	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 5,457	\$ 442	\$ 78,523	\$ 25	\$ -	\$ 84,447
Investments	71,528	87,589	-	-	-	159,117
Notes receivable	-	-	-	-	46,371	46,371
Due from other funds	-	-	-	-	62,968	62,968
<b>TOTAL ASSETS</b>	<u>\$ 76,985</u>	<u>\$ 88,031</u>	<u>\$ 78,523</u>	<u>\$ 25</u>	<u>\$ 109,339</u>	<u>\$ 352,903</u>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>						
Nonspendable	-	-	-	-	46,371	46,371
Restricted	76,985	88,031	78,523	25	62,968	306,532
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>76,985</u>	<u>88,031</u>	<u>78,523</u>	<u>25</u>	<u>109,339</u>	<u>352,903</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 76,985</u>	<u>\$ 88,031</u>	<u>\$ 78,523</u>	<u>\$ 25</u>	<u>\$ 109,339</u>	<u>\$ 352,903</u>

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



## TOWN OF MADISON, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

	Public Library Expendable Trust Fund	Dorothy Brown Expendable Trust Fund	Backyard Farms Capture & Retain TIF	Backyard Farms Capture & Return TIF	Revolving Loan Fund	Total
<b>REVENUES</b>						
Investment income, net of unrealized gains/(losses)	\$ 8,334	\$ 7,474	\$ 1,113	\$ -	\$ -	\$ 16,921
Other	1,827	-	-	-	1,293	3,120
<b>TOTAL REVENUES</b>	<b>10,161</b>	<b>7,474</b>	<b>1,113</b>	<b>-</b>	<b>1,293</b>	<b>20,041</b>
<b>EXPENDITURES</b>						
Program expenditures	5,683	5,372	458,053	442,785	-	911,893
<b>TOTAL EXPENDITURES</b>	<b>5,683</b>	<b>5,372</b>	<b>458,053</b>	<b>442,785</b>	<b>-</b>	<b>911,893</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>4,478</b>	<b>2,102</b>	<b>(456,940)</b>	<b>(442,785)</b>	<b>1,293</b>	<b>(891,852)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	470,126	442,785	-	912,911
Transfers (out)	-	-	(270,500)	-	-	(270,500)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>199,626</b>	<b>442,785</b>	<b>-</b>	<b>642,411</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>4,478</b>	<b>2,102</b>	<b>(257,314)</b>	<b>-</b>	<b>1,293</b>	<b>(249,441)</b>
<b>FUND BALANCES - JULY 1</b>	<b>72,507</b>	<b>85,929</b>	<b>335,837</b>	<b>25</b>	<b>108,046</b>	<b>602,344</b>
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 76,985</b>	<b>\$ 88,031</b>	<b>\$ 78,523</b>	<b>\$ 25</b>	<b>\$ 109,339</b>	<b>\$ 352,903</b>

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 Madison, 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 and/or maintenance of cemeteries and scholarships.

## TOWN OF MADISON, MAINE

COMBINING BALANCE SHEET – NONMAJOR PERMANENT FUNDS  
JUNE 30, 2017

	<u>Cemetery</u>	<u>Jacobs Scholarship</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 35	\$ 201	\$ 236
Investments	293,215	7,222	300,437
Due from other funds	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 293,250</u>	<u>\$ 7,423</u>	<u>\$ 300,673</u>
<b>LIABILITIES</b>			
Due to other funds	\$ -	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable	23,046	5,000	28,046
Restricted	270,204	2,423	272,627
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>293,250</u>	<u>7,423</u>	<u>300,673</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 293,250</u>	<u>\$ 7,423</u>	<u>\$ 300,673</u>

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

## TOWN OF MADISON, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR PERMANENT FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2017

	Cemetery	Jacobs Scholarship	Total
REVENUES			
Investment income, net of unrealized gains/(losses)	\$ 12,886	\$ 312	\$ 13,198
TOTAL REVENUES	<u>12,886</u>	<u>312</u>	<u>13,198</u>
EXPENDITURES			
Other	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>12,886</u>	<u>312</u>	<u>13,198</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers (out)	(14,749)	-	(14,749)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(14,749)</u>	<u>-</u>	<u>(14,749)</u>
NET CHANGE IN FUND BALANCES	(1,863)	312	(1,551)
FUND BALANCES - JULY 1	<u>295,113</u>	<u>7,111</u>	<u>302,224</u>
FUND BALANCES - JUNE 30	<u>\$ 293,250</u>	<u>\$ 7,423</u>	<u>\$ 300,673</u>

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 MADISON, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION  
JUNE 30, 2017

	Land and Non-depreciable Assets	Buildings, Building Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Total
General government	\$ 292,910	\$ 918,894	\$ 34,186	\$ -	\$ 1,245,990
Public safety	20,000	158,760	1,064,456	-	1,243,216
Public works	7,500	132,664	1,567,964	7,043,001	8,751,129
Recreation	655,759	9,600	2,500	-	667,859
Total General Capital Assets	976,169	1,219,918	2,669,106	7,043,001	11,908,194
Less: Accumulated Depreciation	-	(433,977)	(1,931,580)	(3,422,425)	(5,787,982)
Net General Capital Assets	\$ 976,169	\$ 785,941	\$ 737,526	\$ 3,620,576	\$ 6,120,212

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

## TOWN OF MADISON, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION  
FOR THE YEAR ENDED JUNE 30, 2017

	General Capital Assets 7/1/16	Additions	Deletions	General Capital Assets 6/30/17
General government	\$ 1,261,183	\$ 6,445	\$ (21,638)	\$ 1,245,990
Public safety	1,243,216	-	-	1,243,216
Public works	8,371,906	379,223	-	8,751,129
Recreation	665,359	2,500	-	667,859
Total General Capital Assets	11,541,664	388,168	(21,638)	11,908,194
Less: Accumulated Depreciation	(5,547,362)	(262,258)	21,638	(5,787,982)
Net General Capital Assets	<u>\$ 5,994,302</u>	<u>\$ 125,910</u>	<u>\$ -</u>	<u>\$ 6,120,212</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 Madison  
Madison, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Madison, Maine as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Madison, Maine's basic financial statements, and have issued our report thereon dated October 6, 2017.

Internal Control Over Financial Reporting

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

*RHR Smith & Company*

Buxton, Maine  
October 6, 2017