



**MOORS & CABOT**  
INVESTMENTS

*Banking & Advisory Group*

NEW ISSUE

**Moody's: A2 (underlying A1)**  
**S&P:AA (SPUR AA-)**  
**KBRA: AA+**

In the opinion of Drummond Woodsum & MacMahon of Portland, Maine, Bond Counsel ("Bond Counsel"), under existing statutes, regulations, and court decisions, and assuming compliance with certain covenants, interest on the Series B (the "Series B Bonds") is excludable from the gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in the computation of certain taxes that may be imposed with respect to corporations, including, without limitation, adjusted current earnings of a corporation for purposes of computation of the alternative minimum tax. Bond Counsel is also of the opinion that interest payable on the Series B Bonds is not subject to State of Maine (the "State") income taxes imposed upon individuals under existing statutes, regulations, and court decisions. **The Series B Bonds will not be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.** See "THE BONDS—TAX MATTERS" and "APPENDIX G" herein.

**REGIONAL SCHOOL UNIT NO. 13**  
**(Cushing, Owls Head, Rockland, South Thomaston and Thomaston, Maine)**  
**\$13,125,000**  
**2017 GENERAL OBLIGATION BONDS – SERIES B**

**Dated: October 12, 2017**

**Due October 1, as shown below**

The 2017 General Obligation Bonds – Series B (the "Bonds") will be issued as fully-registered certificates without coupons and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in Bonds purchased. See "THE BONDS—BOOK-ENTRY-ONLY SYSTEM" herein. Principal and interest on the Bonds will be paid to DTC by U.S. Bank National Association, Boston, Massachusetts, as Paying Agent. Interest on the Bonds will be payable on April 1, 2018 and semi-annually on each October 1 and April 1 thereafter until maturity, or redemption prior to maturity.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY MUNICIPAL CORP.**



The legal opinion of Bond Counsel will be provided to the original purchaser and will indicate that the Bonds are valid general obligations of Regional School Unit No. 13 (the "RSU" or "Issuer") and, unless paid from other sources, are payable as to both principal and interest from ad valorem taxes which may be levied without limit as to rate or amount upon all the property within the territorial limits of the RSU (which territory includes the City of Rockland and towns of Cushing, Owls Head, South Thomaston and Thomaston, Maine) and taxable by it, except to the extent that any municipality within the territory of the RSU may enter into an agreement under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, to share its assessed valuation with another municipality; and except to the extent that any municipality within the territory of the RSU establishes or has established development districts either as tax increment financing districts or affordable housing development districts pursuant to Title 30-A, Chapters 206 and former 207 (now repealed) of the Maine Revised Statutes, the captured tax increment of which may not be available for payment of debt service on the Bonds. The opinion will indicate that the enforceability of the obligations of the RSU, including the Bonds, are subject to and may be limited by bankruptcy, insolvency, moratorium and other laws affecting the rights and remedies of creditors generally, and are subject to general principles of equity. The opinion will be dated and given on and will speak as of the date of original delivery of the Bonds to the original purchasers.

Bonds maturing on or before October 1, 2027 are not subject to redemption prior to their dates of maturity. Bonds maturing on or after October 1, 2028 are subject to redemption prior to their dates of maturity at the option of the RSU, on and after October 1, 2027 as more fully set forth herein (see "THE BONDS—OPTIONAL REDEMPTION PRIOR TO MATURITY" herein).

The Bonds are offered when, as and if issued, subject to the approval of legality by Drummond Woodsum & MacMahon of Portland, Maine, Bond Counsel. It is expected that the Series B Bonds in definitive form will be available for delivery to DTC on or about October 12, 2017.



**REGIONAL SCHOOL UNIT NO. 13**  
**(Cushing, Owls Head, Rockland, South Thomaston and Thomaston, Maine)**  
**\$13,125,000**  
**2017 GENERAL OBLIGATION BONDS - SERIES B**

<u>Year of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>
2019	\$655,000	5.00%	1.13
2020	655,000	5.00	1.22
2021	655,000	5.00	1.34
2022	655,000	5.00	1.53
2023	655,000	5.00	1.69
2024	655,000	5.00	1.86
2025	655,000	5.00	2.04
2026	655,000	5.00	2.18
2027	655,000	5.00	2.31
2028	655,000	5.00	2.43 <sup>(†)</sup>
2029	655,000	4.00	2.56 <sup>(†)</sup>
2030	655,000	4.00	2.67 <sup>(†)</sup>
2031	655,000	3.00	100
2032	655,000	3.05	100
2033	655,000	3.125	100
2034	660,000	3.20	100
2035	660,000	3.25	100
2036	660,000	3.30	100
2037	660,000	3.35	100
2038	660,000	3.375	100

NOTE: <sup>(†)</sup> Priced at stated yield to the October 1, 2027 optional redemption date at a redemption price of 100% (see “THE BONDS - OPTIONAL REDEMPTION PRIOR TO MATURITY”)

No dealer, broker, salesman or other person has been authorized by the Issuer or the Underwriter to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering of the Bonds, and if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Issuer and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, any party other than the Issuer. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the condition or affairs of the Issuer since the date hereof.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS ANY INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES, CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NONE OF THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

The CUSIP numbers set forth in this Official Statement have been assigned by an independent company not affiliated with the Issuer and are included solely for the convenience of the holders of the Bonds. Neither the Issuer nor the Underwriter makes any representation with respect to the accuracy of such CUSIP numbers set forth in this Official Statement or undertakes any responsibility for the selection of the CUSIP numbers or their accuracy now or at any time in the future. The Issuer is not responsible for the selection or uses of the CUSIP numbers and no representation is made as to their correctness on the Bonds or as set forth in this Official Statement. The CUSIP number for a specific maturity of the Bonds is subject to change after the issuance of the Bonds and as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that may be applicable to all or a portion of certain maturities of the Bonds.

Assured Guaranty Municipal Corp. (“AGM”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “Bond Insurance” and “APPENDIX I - Specimen Municipal Bond Insurance Policy”.

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**CERTIFICATE  
CONCERNING OFFICIAL STATEMENT**

The information contained herein has been prepared by Regional School Unit No. 13 (the “RSU”) with the assistance of Moors & Cabot, Inc., its Municipal Advisor, from the RSU’s records and from various other public documents and sources which are believed to be reliable. There has been no independent investigation of such information by the Municipal Advisor or by Drummond Woodsum & MacMahon, its Bond Counsel, and such information is not guaranteed as to accuracy or completeness and is not intended to be a representation by the Municipal Advisor or Bond Counsel.

This Official Statement is not to be construed as a contract or agreement between the RSU and the purchasers or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the RSU or its agencies and authorities, since the date hereof.

To the best of the knowledge and belief of the undersigned, this Official Statement does not contain any untrue statement of a material fact and does not omit to state any material fact necessary to make the statements made herein, in the light of the circumstances under which they were made, not misleading, subject to the condition that while information in the Official Statement obtained from sources other than the RSU is not guaranteed as to accuracy, completeness or fairness, the undersigned has no reason to believe that such information is materially inaccurate or misleading. A certificate to this effect, with such if any corrections, changes and additions as may be necessary, will be signed by the undersigned and furnished at the closing.

This Official Statement is in a form “deemed final” by the issuer for purposes of Securities and Exchange Commission’s Rule 15c2-12(b) [17 C.F.R. §240.15c2-12(b)] except for the omission from the Preliminary Official Statement of such information as is permitted by such Rule.

John C. McDonald, Treasurer  
Regional School Unit No. 13

**OFFICIAL STATEMENT  
REGIONAL SCHOOL UNIT NO. 13  
(Cushing, Owls Head, Rockland, South Thomaston and Thomaston, Maine)  
\$13,125,000 2017 GENERAL OBLIGATION BONDS – SERIES B**

This Official Statement is provided for the purpose of presenting certain information relating to the sale of the Regional School Unit No. 13 (“RSU 13” or the “RSU”) 2017 General Obligation Bonds – Series B (the “Series B Bonds” or the “Bonds”).

**THE BONDS**

**DESCRIPTION OF THE BONDS**

The Bonds will be dated on their respective date of delivery and will be issued only as fully-registered bonds without coupons, one certificate per maturity, and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York City, New York (“DTC” or the “Securities Depository”). DTC will act as the securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof and will bear interest (accrued on the basis of a 360-day year with twelve 30-day months), payable on April 1, 2018 and semi-annually thereafter on April 1 and October 1 of each year until maturity, or redemption prior to maturity. The Bonds will mature annually as follows:

**Series B Bonds**

<b><u>Amount</u></b>	<b><u>October 1,</u></b>	<b><u>CUSIP</u></b>	<b><u>Amount</u></b>	<b><u>October 1,</u></b>	<b><u>CUSIP</u></b>
\$655,000	2019	75915HAW8	\$655,000	2029	75915HBG2
655,000	2020	75915HAX6	655,000	2030	75915HBH0
655,000	2021	75915HAY4	655,000	2031	75915HBJ6
655,000	2022	75915HAZ1	655,000	2032	75915HBK3
655,000	2023	75915HBA5	655,000	2033	75915HBL1
655,000	2024	75915HBB3	660,000	2034	75915HBM9
655,000	2025	75915HBC1	660,000	2035	75915HBN7
655,000	2026	75915HBD9	660,000	2036	75915HBP2
655,000	2027	75915HBE7	660,000	2037	75915HBQ0
655,000	2028	75915HBF4	660,000	2038	75915HBR8

It is expected that the Series B Bonds will be available for delivery at DTC on or about October 12, 2017.

Principal of and interest on the Bonds will be payable in Clearing House Funds to DTC, or its nominee, as registered owner of the Bonds by U.S. Bank National Association, Boston, Massachusetts, as paying agent (the “Paying Agent”). Transfer of principal and interest payments to Participants of DTC will be the responsibility of DTC. Transfer of principal and interest payments to Beneficial Owners (as hereinafter defined) will be the responsibility of such Participants and other nominees of Beneficial Owners. The RSU will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants. See “THE BONDS - BOOK-ENTRY-ONLY SYSTEM” herein.

**OPTIONAL REDEMPTION PRIOR TO MATURITY**

Bonds maturing on or before October 1, 2027 are not subject to redemption prior to their stated dates of maturity. Bonds maturing on or after October 1, 2028 are subject to redemption prior to their stated dates of maturity, at the option of the RSU, on and after October 1, 2027, as a whole or in part at any time, in such order of maturity as the RSU, in its discretion, may determine, at a price of par (100% of the principal amount to be redeemed), together with interest accrued and unpaid to the redemption date, if any (“Optional Redemption”).

## **GENERAL PROVISIONS REGARDING REDEMPTION OF THE BONDS**

### **Notice of Optional Redemption**

In the case of every Optional Redemption of the Bonds, the RSU shall cause notice of such Optional Redemption to be given to the registered owner of any Bonds designated for Optional Redemption in whole or in part, at such address as shall appear upon the registration books kept by the Paying Agent by mailing a copy of the Optional Redemption notice by first class mail not less than thirty (30) days prior to the Optional Redemption date. Any notice mailed shall be conclusively presumed to have been duly given, whether or not the Bondholder actually receives notice. The failure of the RSU to give notice to a Bondholder or any defect in such notice shall not affect the validity of the Optional Redemption of any Bond of any other owner.

Each notice of Optional Redemption shall specify the date fixed for Optional Redemption, the place or places of payment, that payment will be made upon presentation and surrender of the Bonds to be redeemed, that interest, if any, accrued to the date fixed for Optional Redemption will be paid as specified in said notice, and that on and after said date interest thereon will cease to accrue. If less than all the Bonds outstanding are to be redeemed, the notice of Optional Redemption shall specify the numbers of the Bonds or portions thereof (in denominations of \$5,000 or any integral multiple thereof) to be redeemed.

The RSU shall notify the Securities Depository (see "THE BONDS - BOOK-ENTRY-ONLY SYSTEM" herein) in the same manner as the Bondholders, with a request that the Securities Depository notify its Participants who in turn notify the beneficial owners of such Bonds. Any failure on the part of the Securities Depository, or failure on the part of a nominee of a Beneficial Owner (having received notice from the RSU, a Participant or otherwise) to notify the Beneficial Owner so affected, shall not affect the validity of the Optional Redemption of such Bond.

### **Bonds Due and Payable on Redemption Date; Interest Ceases to Accrue**

On any redemption date, the principal amount of each Bond to be redeemed, together with the premium, if any, and accrued interest thereon to such date, shall become due and payable. Funds shall be deposited with the Paying Agent to pay, and the Paying Agent is authorized and directed to apply such funds to the payment of, the Bonds called for redemption, together with accrued interest thereon to the redemption date and redemption premium, if any. After such redemption date, notice having been given in the manner described above, then, notwithstanding that any Bonds called for redemption shall not have been surrendered, no further interest shall accrue on any of such Bonds. From and after such date of redemption (such notice having been given), the Bonds to be redeemed shall not be deemed to be outstanding.

### **Cancellation**

All Bonds that have been redeemed shall be canceled by the Paying Agent and either destroyed by the Paying Agent with counterparts of a certificate of destruction evidencing such destruction furnished by the Paying Agent to the RSU or returned to the RSU at its request.

### **Partial Redemption of Bonds**

Bonds or portions of Bonds to be redeemed in part shall be selected when held by a securities depository by lot and when not held by a securities depository by the RSU by lot or in such other manner, as the RSU in its discretion may deem appropriate.

## **RECORD DATE; PAYMENT**

The principal of the Bonds is payable upon surrender thereof at the principal corporate trust office of the Paying Agent. Payment of the interest on the Bonds will be made to the person appearing on the registration books of the Paying Agent as the registered owner thereof at the close of business on the 15<sup>th</sup> day of the month preceding each interest payment date for the Bonds, and if such day is not a regular business day of the Paying Agent the next day preceding which is a regular business day of the Paying Agent, by check, wire or draft mailed to each registered owner at such person's address as it appears on the registration books, or at another address as is furnished to the Paying Agent in writing by the owner. Interest that is not timely paid or provided for shall cease to be payable to the registered owner as of the regular record date and shall be payable to the registered owner at the close of business on a special record date to be fixed by the Paying Agent.

## **AUTHORIZATION AND PURPOSE**

The Bonds will be issued by the RSU pursuant to Title 20-A, Sections 1490(1)(B), (C) and 15909 of the Maine Revised Statutes, to borrow for school construction projects and minor capital; Title 20-A, Sections 1501(1)(A), (E) and 15905-A of the Maine Revised Statutes, that requires RSU voter referendum approval to issue bonds to provide funds to finance school construction projects and minor capital projects; and a Resolution passed by the School Board, on August 17, 2017.

Pursuant to Title 20-A, Section 1501(1)(A) of the Maine Revised Statutes, a referendum election was held on February 28, 2017 whereby the RSU's voters approved the issuance of bonds or notes in an aggregate amount not to exceed \$23,200,000 to provide funds to finance: (a) renovation, construction and equipping an addition to Oceanside Middle School, in Thomaston; (b) renovation, construction and equipping an addition to Oceanside High School, in Rockland; (c) construction and equipping a new preK to grade 5 school on the site of the current Owls Head Community School, in Owls Head, that will replace the current Owls Head Community School and Gilford Butler School, in South Thomaston; and (d) demolition of the existing Owls Head Community School, closure of the Gilford Butler School, Lura Libby School, in Thomaston, and the former McLain School, in Rockland, currently used to house the Administrative Office of the RSU (the "Projects").

Pursuant to Title 20-A, Section 1490(2)(C) of the Maine Revised Statutes, *each issue of bonds must mature in substantially equal annual installments so that the first installment is payable not later than 2 years and the last installment not later than 25 years after the date of issue.* Therefore, to accomplish unique structures for the 2017 Bonds the financing was bifurcated into two series each with separate plans of financing. Series A Bonds were sold on September 12, 2017 to close on September 27, 2017; Series B Bonds were sold on September 27, 2017 to close on October 12, 2017, each date being sold not less than 15 days apart. See "THE BONDS - Separate Plans of Financing" herein.

The Series A Bonds and the Series B Bonds, together totaling an amount not to exceed \$21,825,000, will be issued to provide a portion of the funds to finance the Projects. On June 16, 2016, the State Board of Education awarded a Federal Qualified Zone Academy Bond ("QZAB") allocation, in the amount of \$798,000, to provide additional funds to finance the Projects. The RSU expects to close on the QZAB in the fall of 2017. On July 31, 2017, the RSU borrowed \$576,697 from the School Revolving Renovation Fund (the "SRRF") administered through the Maine Municipal Bond Bank ("MMBB") in cooperation with the State Department of Education ("DOE"). Portions of principal, 30% of the loan or \$173,009, are forgiven and the loan is at 0% paid in equal installments over ten years. In summary:



<u>Source of Funds</u>	<u>Amount</u>
2017 Series A & Series B Bonds:	\$21,825,000.00 <sup>(1)</sup>
Original Issue Premium:	303.00
QZAB:	798,000.00
MMBB SRRF Loan:	<u>576,697.00</u>
Authorized:	\$23,200,000.00

NOTE: <sup>(1)</sup> May include Original Issue Premium that reduces the par value of Bonds issued.

A portion of the proceeds of the Series A Bonds will be used to refund, on a current basis, the amount drawn, if any, of the RSU's \$5,000,000 2017 General Obligation Bond Anticipation Notes dated August 18, 2017 and maturing on or before October 31, 2017, that were issued to provide funds, if necessary, to finance an initial portion of the Project on a temporary basis.

In the unexpected event that any proceeds of the Bonds remain unspent upon completion of the Projects or the RSU abandons any or portions of a Project(s), the RSU reserves the right to reallocate unspent proceeds to the costs of other eligible projects approved, or to be approved, or to apply unspent proceeds to the payment of debt service on the Bonds.

## **SOURCE OF PAYMENT AND REMEDIES**

### **Local Assessments**

The Bonds are general obligations of the RSU and their payment is not limited to a particular fund or revenue source. The RSU comprises the City of Rockland and towns of Cushing, Owls Head, South Thomaston and Thomaston (the "Member Municipalities"). The School Board, in accordance with the budget approved by the voters of the RSU determines each Member Municipality's share of the budget, including the RSU's annual debt service obligation, needed to be raised from property taxes, and issues warrants to the assessors of the Member Municipalities requiring them to assess upon the taxable estates of each Member Municipality an amount that is that Member Municipality's share of the RSU's costs. The assessors of each Member Municipality are required to commit the assessment of the RSU to the Municipalities' tax collectors, who have all the authority to collect the RSU's taxes as to collect State of Maine (the "State"), county and municipal taxes. Ad valorem property taxes may be levied without limit as to rate or amount upon all the taxable property within the territorial limits of the RSU to pay principal and interest on the Bonds, except to any extent that any municipality within the territory of the RSU may enter into an agreement under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, to share its assessed valuation with another municipality, and except to the extent that any municipality within the territory of the RSU establishes or has established municipal development districts either as tax increment financing districts or affordable housing development districts pursuant to Title 30-A, Chapters 206 and former 207 (now repealed) of the Maine Revised Statutes, the captured tax increment of which may not be available for payment of debt service on the Bonds. The Treasurer of each municipality within the territory of the RSU has certified that agreements under Chapter 223, Subchapter V, of the Maine Revised Statutes, or Title 30-A, Chapters 206 and former 207 (now repealed) of the Maine Revised Statutes, do not now exist. The municipalities within the territory of the RSU may establish development districts and elect to retain the tax increment on the captured assessed value of property in each district to pay a portion of costs (including debt service, if any debt is issued by the city or town) to finance certain eligible projects within the districts. There is no statutory provision for a lien on any portion of the tax levy to secure bonds or notes, or judgments thereon, in priority to other claims. The RSU is, however, subject to suit on the Bonds.

Pursuant to Title 20-A, Section 1490(5) of the Maine Revised Statutes, the RSU is a quasi-municipal corporation within the meaning of Title 30-A, Section 5701 of the Maine Revised Statutes, whereby the personal property of the residents may be taken to pay any debt due from the body corporate. Further, Title 20-A, Section 1489(6) of the Maine Revised Statutes, provides that if a treasurer of one of the RSU's constituent municipalities fails to pay an assessment when due, the RSU treasurer, following notice and a 60 day cure period from the due date, may initiate an action in Superior Court to compel payment of the delinquent installment. The court shall determine the amount owed by the municipality to the RSU and shall order the municipal treasurer to pay all delinquent installments and accrued interest (along with court costs and reasonable attorney's fees). To ensure prompt payment of the delinquent installments, the court may require that amounts due to the municipality from the State under Title 30-A, section 5681 and Title 36, sections 578 and 685 be paid to the RSU until the amount determined by the court is satisfied. The court shall promptly notify the disbursing state agency of the determination and direct the agency to make the required change in payee and the amounts to be paid. If additional funds are needed to satisfy the amount determined by the court to be paid to the RSU, the court may order the attachment or trustee process and sale of real or personal property owned by the municipality or the attachment of the municipality's bank accounts or require property tax payments to the municipality to be turned over to the court and may pay the amount owed the RSU from the proceeds and return any excess to the municipality. Funds to meet RSU expenses, including debt service, are not included in the assessments to the extent they are expected to be met with other non-assessed revenues. Amounts necessary to repay sums borrowed temporarily in anticipation of bonds or grants are similarly excluded because they would normally be expected to be paid from the anticipated bond proceeds or grants. Enforcement of a claim for payment of principal of or interest on bonds or notes would be subject to the applicable provisions of federal bankruptcy laws and to the provisions of statutes, if any, hereafter enacted by the Congress or the State Legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. The Bonds are not guaranteed by the State of Maine.

### **State Subsidy**

The State subsidizes local school administrative units ("SAU") pursuant to Chapter 606-B of Title 20-A of the Maine Revised Statutes, as amended. Chapter 606-B, is known as the "Essential Programs and Services Funding Act", (the "EPS Act") and is summarized in this section. Pursuant to Section 15671 of the EPS Act, Essential Programs and Services ("EPS") are identified as those educational resources necessary to ensure the opportunity for all students to meet the standards in the eight content standard subject areas and goals of the system of learning results established by statute. In order to achieve this system of learning results, school funding based on EPS must be available in all schools on an equitable basis and utilize resources that are currently provided or could be adapted to implement a system of learning results, as well as additional resources including federal funds that are also needed to ensure that these programs and services are available to all students. The objective of school funding is to make adequate provision to provide for staffing and other material resource needs of the essential programs and services identified by the Legislature. Funding is subject to appropriation by the State legislature. The EPS Act and State funding under the EPS Act are subject to amendment by the Legislature.

The State and SAU are jointly responsible for contributing to the cost of the components of EPS. The State contribution to the cost of the components of EPS is proposed by the Commissioner of Education (the "Commissioner") and established by the Legislature. The stated objective is for the State to provide 55% of the statewide EPS costs. However, the State has had difficulty achieving the statutory objective. The State has made a number of changes to the formula, as well as to its recognition of costs under the formula recognized for funding purposes over the years in lieu of additional funding. Even with these amendments, the State has not achieved the 55% statutory funding level objective, and in some years has curtailed its committed funding during the fiscal year See "THE BONDS - Uncertainty Regarding School Funding," below.

Based upon the State's funding level for a fiscal year, the EPS Act establishes that the Commissioner set a statewide, full-value education mill rate that determines an SAUs required local contribution. The full-value mill rate is that rate which, if applied to the statewide valuation, would produce a sufficient amount to achieve the statewide total local share of the total State/local allocation. The statewide mill rate applied to the property valuation of each municipality within an SAU determines the municipality's required local contribution, also referred to as the "local cost share expectation" for that municipality. The required local contribution is subject to certain adjustments, including, where applicable a minimum receiver adjustment. In some cases, an SAU's formula for dividing costs among its member municipalities creates a "re-allocation" of the Member SAUs' contributions towards the SAU's local allocation.

By each February 1<sup>st</sup>, the Commissioner notifies each SAU of its local cost share expectation, and each superintendent reports to the municipal officers whenever an SAU is notified of the local cost share expectation or a change made in the local cost share expectation resulting from an adjustment.

The legislative body of an SAU may approve an additional local appropriation that exceeds the SAU's local allocation for EPS costs only if that action is approved in a separate article by a vote of the SAU's legislative body as part of the school budget approval process in that SAU and in accordance the EPS Act. For SAUs whose budget meetings are conducted by a town or city councils, the override vote must be accomplished by a majority vote of the full membership of the school board, followed by a majority vote of the full membership of the town or city council. For SAUs whose budget meetings are conducted as a New England-style open meeting of voters, the override is accomplished by a secret ballot, simple majority vote. In almost all cases, following the budget meeting the voters of an SAU must ratify the school budget by a referendum vote.

### **Uncertainty Regarding School Funding**

State subsidies for SAUs are based upon a number of factors that are subject to change each year. In addition the formula itself is subject to change each year by the Legislature. Furthermore, subsidies for SAUs are an annual item in the State's budgetary process and are subject to legislative appropriation each year.

The level of State subsidy is subject in any year to approval by the State legislature. Since the State's establishment of school subsidy programs, in 1969, in some years the State has curtailed its subsidy of EPS costs<sup>(1)</sup>. Also, over the last several fiscal cycles the State has delayed its transitional goals to reach its 55% State share target, and has recently redefined that target to include certain teacher retirement costs as "counting" for determining if the 55% State share target is achieved. The State has also adjusted the costs includible as EPS costs for funding purposes. No assurances can be given that future legislation will not have an adverse impact on school funding in Maine. In addition, no assurances can be given regarding the current, or future, annual appropriation by the Legislature of an amount sufficient to fund the State's share of EPS allocation as it is currently defined and determined under the EPS Act. Because of the uncertainties involved in the legislative process, it is not possible to predict the level of State subsidy to SAUs in future years or indeed, whether the State's subsidy program will continue in its present form.

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NOTE: <sup>(1)</sup> It is noted that in those years where the State has curtailed its subsidy of EPS costs, it always has excluded from curtailment the debt service for school construction projects that the State has approved for inclusion in EPS costs for subsidy services. No assurance can be given, however, that the State will not change this practice in some manner that would affect the level of such debt service subsidy. Debt service on the Bonds is not included in EPS costs as State approved debt service for subsidy purposes.

## Recent Years' State General Purpose Aid to Local Schools

The State target for General Purpose Aid to Local Schools was established at the following level in the following fiscal years:

<u>Fiscal Year</u>	<u>State % Target</u>	<u>Including Teacher Retirement Contribution</u>
2010/2011	45.84%	-
2011/2012	46.02%	49.47%
2012/2013	45.87%	49.35%
2013/2014	47.29%	50.44%
2014/2015	46.80%	50.13%
2015/2016	47.54%	50.08%
2016/2017	48.14%	50.82%
2017/2018	49.14%	52.02%
2018/2019	50.14%	53.02%

Beginning in fiscal year 2011/2012, the State set targets that include EPS costs *plus* the State contribution to teacher retirement, retired teacher health insurance and retired teacher life insurance.

From time-to-time, the State Legislature may change the costs includable in EPS and the method of calculating the achievement of the State target. For example, in fiscal year 2013/2014 the State target for the total cost of K-12 education as measured by the EPS school funding model, included the total “normal cost” of the teachers’ retirement premium. The appropriation represents approximately \$29 million over the distribution of school subsidy for the current fiscal year before that was reduced by \$12.6 million through a curtailment order issued by the Governor in December 2012, as an emergency procedure to keep the State Budget in balance. The \$29 million funding increase, however, is accompanied by transferring the financial obligation from the State to the schools for the “normal costs” of teachers’ retirement under MainePERS (as defined herein). As seen in the percentages set forth in this section, transferring the State funding of these costs to the EPS formula brings the State closer to its stated 55% funding goal for EPS costs, although it does not otherwise represent a net funding increase.

Neither the future amount nor future rate of State subsidy can be calculated on a pro forma basis due to the variable nature of the factors included in the State’s determination of funding.

## State Subsidy for Bonds

The State Board of Education has established *Rules for Major Capital School Construction Projects* (the “Rules”) to provide a subsidy for all or a portion of the debt service costs for certain eligible new school construction projects and school addition (including addition plus renovation) projects (i.e., “qualified” for State subsidy). An SAU whose project has qualified for State subsidy has its approved debt service costs for that project (which may be the debt service on all or a portion of the project costs) added to its EPS allocation for subsidy purposes. The RSU *did not* submit the Project to the State for a rating to determine eligibility to be qualified for State subsidy. Accordingly, debt service on the Project *will not* be eligible for State subsidy.

## BOND INSURANCE POLICY

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. (“AGM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### **Assured Guaranty Municipal Corp.**

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A2” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

### **Current Financial Strength Ratings**

On June 26, 2017, S&P issued a research update report in which it affirmed AGM’s financial strength rating of “AA” (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On December 14, 2016, KBRA issued a financial guaranty surveillance report in which it affirmed AGM’s insurance financial strength rating of “AA+” (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On August 8, 2016, Moody’s published a credit opinion affirming its existing insurance financial strength rating of “A2” (stable outlook) on AGM. AGM can give no assurance as to any further ratings action that Moody’s may take.

For more information regarding AGM’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

### **Capitalization of AGM**

At June 30, 2017:

- The policyholders’ surplus of AGM was approximately \$2,222 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. (“MAC”) (as described below) were approximately \$1,289 million. Such amount includes 100% of AGM’s contingency reserve and 60.7% of MAC’s contingency reserve.

- The net unearned premium reserves of AGM and its subsidiaries (as described below) were approximately \$1,699 million. Such amount includes (i) 100% of the net unearned premium reserves of AGM and AGM's wholly owned subsidiaries Assured Guaranty (Europe) plc, Assured Guaranty (UK) plc, CIFG Europe S.A. and Assured Guaranty (London) plc (together, the "AGM European Subsidiaries") and (ii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves and net unearned premium reserves of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves of the AGM European Subsidiaries were determined in accordance with accounting principles generally accepted in the United States of America.

### **Incorporation of Certain Documents by Reference**

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (filed by AGL with the SEC on February 24, 2017);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017 (filed by AGL with the SEC on May 5, 2017); and
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2017 (filed by AGL with the SEC on August 3, 2017).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

### **Miscellaneous Matters**

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE".

## **TAX MATTERS**

### **The Bonds**

The Internal Revenue Code of 1986, as amended (the “Code”), imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the Bonds in order that interest on the Bonds be and remain excludable from gross income for federal income tax purposes pursuant to section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use, investment and expenditure of proceeds of the Bonds and the requirement that certain earnings be re-bated to the federal government. Failure of the RSU to comply with such requirements may cause interest on the Bonds to be included in the gross income of the holders thereof for purposes of federal income taxation retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs or is ascertained.

The RSU will make certain representations with respect to the use of the proceeds of the Bonds and the Project and will covenant (i) to comply with the provisions and procedures of the Code applicable to the Bonds and (ii) not to take any action or permit any action that would cause the interest paid on the Bonds to be included in gross income for purposes of federal income taxation pursuant to section 103 of the Code.

In the opinion of Bond Counsel, under existing statutes, regulations and court decisions interest on the Bonds is excludable from the gross income of the owners of the Bonds for purposes of federal income taxation pursuant to Section 103 of the Code. Interest on the Bonds is not an item of tax preference for the purpose of the federal alternative minimum tax imposed on to individuals and corporations, however, interest on the Bonds is taken into account in the computation of certain taxes that may be imposed with respect to certain corporations, including, without limitation, in adjusted current earnings of a corporation for purposes of calculation of the alternative minimum tax. In rendering its opinion, Bond Counsel will rely upon the RSU’s representations made with respect to the use of the proceeds of the Bonds and the Project and the RSU’s covenant that it will comply with the Code.

### **Exemption of Interest on the Bonds from Taxation by the State of Maine**

In the opinion of Bond Counsel, interest payable on the Bonds is not subject to income taxes imposed upon individuals by the State under existing statutes, regulations, and court decisions. See “PROPOSED FORM OF LEGAL OPINION” in APPENDIX G herein.

### **Qualified Tax-Exempt Obligations**

The RSU *will not designate* the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

### **Separate Plans of Financing**

Pursuant to Section 1.150-1(c) of the Code, the Series A Bonds and the Series B Bonds will not be sold at substantially the same time as they will be sold not less than 15 days apart and will, therefore, be separate plans of financings.

### **Original Issue Discount**

Pursuant to Title 20-A, §1490(2)(A) of the Maine Revised Statutes, no Bond may be priced less than par (individual maturities of Bonds may not be priced at a discount).

## **Original Issue Premium**

Certain maturities of the Bonds (the “Premium Bonds”) may be sold at an initial offering price in excess of the amount payable at the maturity date. The excess, if any, of the tax basis of the Premium Bonds to a purchaser (other than a purchaser who holds such Premium Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is amortizable bond premium, which is not deductible from gross income for federal income tax purposes. Amortizable bond premium, as it amortizes, will reduce the owner’s tax cost of the Premium Bonds used to determine, for federal income tax purposes, the amount of gain or loss upon the sale, redemption at maturity or other disposition of the Premium Bonds. Accordingly, an owner of a Premium Bond may have taxable gain from the disposition of the Premium Bond, even though the Premium Bond is sold, or disposed of, for a price equal to the owner’s original cost of acquiring the Premium Bond. Bond premium amortizes over the term of the Premium Bonds under the “constant yield method” described in regulations interpreting section 1272 of the Code. Prospective purchasers of the Premium Bonds should consult their tax advisors with respect to the calculation of the amount of bond premium which will be treated for federal income tax purposes as having amortized for any taxable year (or portion thereof) of the owner and with respect to other federal, state and local tax consequences of owning and disposing of the Premium Bonds.

## **Additional Federal Income Tax Consequences**

In the case of certain corporate Holders of the Bonds, interest on the Bonds will be included in the calculation of the alternative minimum tax as a result of the inclusion of interest on the Bonds in “adjusted current earnings” of certain corporations.

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Bonds, may have additional federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty insurance companies, foreign corporations and certain S corporations. Prospective purchasers of the Bonds should consult their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

The Internal Revenue Service (the “IRS”) has an ongoing program of auditing state and local government obligations, which may include randomly selecting bond issues for audit, to determine whether interest paid to the Holders is properly excludable from gross income for federal income tax purposes. It cannot be predicted whether the Bonds will be audited. If an audit is commenced, under current IRS procedures Holders of the Bonds may not be permitted to participate in the audit process and the value and liquidity of the Bonds may be adversely affected.

## **Changes in Federal Tax Law**

Federal, state or local legislation, administrative pronouncements or court decisions may affect the tax-exempt status of interest on the Bonds, gain from the sale or other disposition of the Bonds, the market value of the Bonds or the marketability of the Bonds. No prediction can be made as to future changes in the law. Such changes could affect the exclusion from gross income of interest on, or the market price or marketability of, tax-exempt bonds (including the Bonds). Prospective purchasers of the Bonds should consult their tax and financial advisors regarding such matters.



## **Extent of Opinion**

Bond Counsel expresses no opinion regarding any tax consequences of holding the Bonds other than its opinion with regard to (a) the exclusion of interest on the Bonds from gross income pursuant to section 103 of the Code, (b) interest on the Bonds not constituting an item of tax preference pursuant to section 57 of the Code and (c) interest on the Bonds not being subject to State of Maine income taxes imposed on individuals. Prospective purchasers of the Bonds should consult their tax advisors with respect to all other tax consequences (including but not limited to those described above) of holding the Bonds.

## **BOOK-ENTRY-ONLY SYSTEM**

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued in fully-registered form registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One-fully registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and each such certificate will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated securities. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of securities deposited with DTC must be made by or through Direct Participants, which will receive a credit for such securities on DTC’s records. The ownership interest of each actual purchaser of each security deposited with DTC (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in securities deposited with DTC are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in securities deposited with DTC, except in the event that use of the book-entry system for such securities is discontinued.

To facilitate subsequent transfers, all securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of securities with DTC and their registration in the name of Cede & Co. or

such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the securities deposited with it; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of a maturity is being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to securities deposited with it unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of such securities or its paying agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on securities deposited with DTC will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer of such securities or its paying agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the issuer of such securities or its paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer of such securities or its paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to securities held by it at any time by giving reasonable notice to the issuer of such securities or its paying agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered to Beneficial Owners. The RSU may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to Beneficial Owners.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the RSU believes to be reliable, but the RSU takes no responsibility for the accuracy thereof.

## **RATINGS**

The Bonds were initially rated “A1” by Moody’s Investors Service (“Moody’s”) and “AA-” by Standard & Poor’s Global Finance Ratings (“S&P” and, collectively, with Moody’s, the “Rating Agencies” and, individually, each a “Rating Agency”). The RSU furnished the Rating Agencies certain information and materials, some of which may not have been included in this Official Statement. Generally, a Rating Agency bases any rating established by it on such information and materials and also on such investigations, studies and assumptions as it may undertake or establish independently. Each rating reflects only the view of the Rating Agency which published it at the time such rating is assigned and will be subject to revision or withdrawal, which could affect the market price of the Bonds. A Rating Agency should be contacted directly for its rating on the Bonds and its explanation of such rating. A rating is not a recommendation to buy, sell or hold the Bonds, and such rating should be evaluated independently.

Moody’s has assigned a rating of “A2” (stable outlook), S&P has assigned a rating of “AA” (stable outlook) and Kroll Bond Rating Agency, Inc. assigned a rating of “AA+” (stable outlook), respectively, to the Bonds on the understanding that the standard municipal bond insurance policy of Assured Guaranty Municipal Corp. insuring the scheduled payment of the principal of and interest due with respect to the Bonds will be issued by AGM upon the issuance of the Bonds.

## **CONTINUING DISCLOSURE**

In order to assist the underwriter in complying with the Securities Exchange Commission’s Rule 15c2-12 (the “Rule”), the RSU will covenant for the benefit of the owners of the Bonds to provide certain financial information and operating data relating to the Rule by not later than March 31 following the end of each fiscal year (the “Annual Report”) and to provide notices of the occurrence of certain enumerated events, if material, which material events are more specifically described herein. The covenants will be contained in a “Continuing Disclosure Agreement” (the “Agreement”), the proposed form of which is provided in APPENDIX H. The Certificate will be executed by the Treasurer of the RSU, and incorporated by reference in the Bonds.

The RSU’s first issuance of a publically sold debt obligation was \$8,020,000 Lease Revenue Custodial Receipts, Series 2016, dated July 29, 2016 (the “2016 Lease”). The RSU entered into a continuing disclosure obligation (an “Agreement”) pursuant to the Rule, executed July 29, 2016, for this transaction. The Agreement stipulates that not later than 180 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2017, the RSU will file annual financial information and operating data (the “Filing”). The RSU expects to submit its first Filing on or before December 27, 2017.

For the Bonds, the RSU’s Treasurer will implement post-issuance compliance procedures that, among other items, provide for timely filings with the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access System (“EMMA”) or its successor repository, if any, with respect to its existing and future continuing disclosure undertakings. The RSU will also register with the EMMA reminder system to receive email reminders to help ensure timely filing of disclosure requirements.

## **CUSIP IDENTIFICATION NUMBERS**

It is anticipated that CUSIP numbers will be printed on the Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds will be paid for by the RSU provided, however, that the RSU assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers.

## **MUNICIPAL ADVISOR**

Moors & Cabot, Inc. has acted as Municipal Advisor to the RSU with respect to the issuance of the Bonds pursuant to Municipal Securities Rulemaking Board Rule G-23. Moors & Cabot, Inc. does not intend to submit its bid on, or participate in an underwriting syndicate for the public distribution of, the Bonds.

## **STATUTORY REFERENCES**

All quotations from and summaries and explanations of laws herein do not purport to be complete, and reference is made to said laws for full and complete statements of their provisions.

## **CONDITIONS PRECEDENT TO DELIVERY**

The following, among other things, are conditions precedent to the delivery of the Bonds to the original purchasers thereof.

### **Certification**

The Bonds will be certified as to their genuineness by U.S. Bank National Association, Boston, Massachusetts, which certificate will appear on the Bonds.

### **Approval of Legality**

The legality of the Bonds will be approved by Drummond Woodsum & MacMahon of Portland, Maine, Bond Counsel. The legal opinion of Bond Counsel with respect to the Bonds will be delivered at the time of original delivery of the Bonds to the Underwriter. The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds to the Underwriter. The scope of engagement of Bond Counsel does not extend to passing upon or assuming responsibility for the accuracy or adequacy of any statements made in this Official Statement other than matters expressly set forth as their opinion and they make no representation that they have independently verified the same. See also "PROPOSED FORM OF LEGAL OPINION" in APPENDIX G herein.

### **Certificate With Respect to Official Statement**

At the time of the original delivery of and payment for the Bonds, the RSU will deliver a certificate of the Treasurer to the effect that he has examined this Official Statement and the financial and other data contained therein and that, to the best of his knowledge and belief, both as of its date and as of the date of delivery of the Bonds, the Official Statement does not contain any untrue statement of a material fact and does not omit to state any material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, subject to the condition that while information in the Official Statement obtained from sources other than the RSU is not guaranteed as to accuracy, completeness or fairness, he has no reason to believe that such information is materially inaccurate or misleading.

## **REGIONAL SCHOOL UNITS**

### **INTRODUCTION**

The School Consolidation Act was enacted in 2007 with the goal of reorganizing and consolidating certain existing School Administrative Units (“SAUs”) into Regional School Units (“RSUs”). The law sets forth State policy to provide for certain existing SAUs to be reorganized into regional, State approved, units of school administration in order to provide: equitable educational opportunities, rigorous academic programs, uniformity in delivering programs, a greater uniformity in tax rates, more efficient and effective use of limited resources, preservation of school choice and maximum opportunity to deliver services in an efficient manner. All SAUs were directed to work with other units to reorganize into larger, more efficient units, or where expansion of the SAU would be impractical or inconsistent with state policy, reorganize their own administrative structures to reduce costs and to achieve administrative efficiencies.

### **REGIONAL SCHOOL UNITS**

#### **Organization**

An RSU is organized under and governed by Chapter 103-A (Sections 1451 – 1512) of Title 20-A of the Maine Revised Statutes. Pursuant to Chapter 103-A, Section 1490(5) of Title 20-A of the Maine Revised Statutes, an RSU is a body politic and corporate of the State and is a quasi-municipal corporation within the meaning of Title 30-A, Section 5701 of the Maine Revised Statutes. An RSU’s power to borrow money RSU is established pursuant to Chapter 103-A, Section 1490 of Title 20-A of the Maine Revised Statutes.

#### **Operation**

Pursuant to Title 20-A, Section 1471 of the Maine Revised Statutes an RSU is governed by a school board of directors. The school board elects and hires the Superintendent, who serves as its Secretary and Treasurer.

#### **Budget and Assessments**

The RSU budget preparation and approval process are conducted pursuant to Title 20-A, Sections 1482 - 1489 of the Maine Revised Statutes. The RSU budget is prepared by the school board and then must be approved at New England town meeting-style budget meeting, followed by voter approval at a budget validation referendum. The budget validation referendum must be held on or before the 30<sup>th</sup> calendar day following the scheduled date of the RSU budget meeting. If the voters do not validate the budget at the budget validation referendum, the school board must hold another budget meeting to approve a new budget at least 10 days and not more than 45 days after the referendum. The new budget approved at the budget meeting must again be submitted to the voters for validation at referendum. The process must be repeated until a budget is approved at a district budget meeting and validated at referendum. The voters of an RSU may vote to discontinue the budget validation referendum process, in which case the RSU budget is finally approved at an RSU budget meeting.

Pursuant to Title 20-A, Section 1487 of the Maine Revised Statutes, if a budget is not approved prior to July 1st, the latest budget approved at an RSU budget meeting and submitted for approval at a budget validation referendum is automatically considered the budget for operational expenses for the ensuing year until a final budget is approved. If a budget is not approved by July 1st and the officers of an RSU member municipality determine that property taxes must be committed in a timely manner, such property taxes may be committed based on the latest budget approved at an RSU budget meeting and submitted for approval at a budget validation referendum.

In accordance with the approved budget, the district school committee issues warrants to the assessors of each member municipality for its share of the RSU's costs. The assessors commit the assessment to the respective tax collectors, who have the authority and powers to collect the RSU's taxes as is vested in them by law to collect state, county and municipal taxes. The RSU school committee also notify the member municipalities of the monthly installments that will become payable during the RSU's fiscal year, due on or before the 20th of each month.

In accordance with Title 20-A, Section 1489(6) of the Maine Revised Statutes, if a treasurer of one of the RSU's constituent municipalities fails to pay an assessment when due, the RSU treasurer, following notice and a 60-day cure period from the due date, may initiate an action in Superior Court to compel payment of the delinquent installment. The court shall determine the amount owed by the municipality to the RSU and order the municipal treasurer to pay all delinquent installments and accrued interest (along with court costs and reasonable attorney's fees). To ensure prompt payment of the delinquent installments, the court may require that amounts due to the municipality from the State be paid to the RSU until the amount determined by the court is satisfied, promptly notifying the disbursing state agency of the determination and directing the agency to make the required change in payee and the amounts to be paid; or if additional funds are needed the court may order the attachment or trustee process and sale of real or personal property owned by the municipality or the attachment of the municipality's bank accounts or require property tax payments to the municipality to be turned over to the court and may pay the amount owed the RSU from the proceeds and return any excess to the municipality.

### **Power to Borrow Money**

Pursuant to Title 20-A, Section 1490(1) of the Maine Revised Statutes, the RSU school board may borrow money to pay for current operating expenses, minor capital costs, and, school construction costs. The aggregate principal amount of outstanding debt issued or assumed by an RSU for major and minor capital costs (i.e., school construction purposes and renovation, improvement, and repair purposes), shall not exceed 10% of the total of the last preceding State valuation of all of the municipalities within the RSU plus an amount not to exceed 4% of the total RSU valuation set by the state board of education at the time of initial approval of a school construction project.

### **Additions to an RSU**

An SAU not originally a member of an RSU may be included in the RSU by filing with the Commissioner a notice of intent to engage in planning and negotiations to join with the district. The Commissioner shall provide information regarding the process and whether the intended action complies with the requirements of Chapter 103-A of Title 20-A. An SAU may join an existing RSU generally in the same manner required for the formation of the district. The municipal officers of each municipality in a proposed reorganized SAU shall submit the question to the voters of such SAU. If the SAU vote was in the affirmative, the existing RSU shall call a district referendum to vote on the question. If a reorganization plan is approved, the Commissioner shall file notice of approval of the unit with the State Board of Education and the Commissioner shall issue an amended certificate of organization to the reorganized RSU.

### **Withdrawals from a District**

A municipality may withdraw from the RSU under the RSU statutes pursuant to Title 20-A, Section 1466 of the Maine Revised Statutes. The process of a municipality's withdrawal from an RSU is initiated by a petition signed by at least 10% of the voters of the municipality that voted in the last gubernatorial election. After a public hearing, the municipality holds a referendum election on whether to file the withdrawal petition with the RSU school board and the Commissioner of Education. If the municipal vote in favor of the petition receives

less than 45% of the votes cast, that municipality may not petition to withdraw within two years of the date of that vote.

If the voters approve the withdrawal petition, the municipal officers shall form a withdrawal committee, composed of one of the municipal officers, one member from the general public, one member from the group filing the petition, and one of the municipality's representatives on the school board. The withdrawal committee must negotiate a withdrawal agreement with the RSU school board. The withdrawal agreement must contain provisions to address aspects of the withdrawal, including distribution of financial commitments arising from the RSU's outstanding bonds, notes, and other contractual obligations. The statute governing withdrawals expressly provides that the RSU "remains intact for the purpose of securing and retiring [outstanding] indebtedness" of the RSU. The Commissioner then reviews the withdrawal agreement, and either gives it conditional approval or recommends changes. If changes are recommended, they must be made by the withdrawal committee within the time period specified by the commissioner.

After the withdrawal agreement receives conditional approval from the Commissioner, the RSU school board calls a public hearing to discuss the merits of the withdrawal agreement. Following the public hearing, the withdrawal committee forwards the final agreement back to the commissioner. The commissioner then schedules the date and time for the referendum to consider the withdrawal agreement.

At the referendum, only the municipality proposing to withdraw may vote on whether to approve the withdrawal agreement. For a municipality to withdraw from an RSU formed pursuant to a reorganization plan approval of a withdrawal agreement requires a simple majority vote of the withdrawing municipality, however, the number of votes cast for and against the withdrawal must exceed 50% of the voters in the last gubernatorial election. In this type of RSU, if the municipal vote in favor of the withdrawal agreement receives less than 45% of the votes cast, that municipality may not petition to withdraw within two years of the date of that vote. For a municipality to withdraw from an RSU that was reformulated from a school administrative district pursuant to Public Law 2007, Chapter 240, Section XXXX-36(12), approval of the withdrawal agreement requires a 2/3 vote, but there is no minimum number that must vote. In this type of RSU, if the municipal vote in favor of the withdrawal agreement receives less than 60% of the votes cast, that municipality may not petition to withdraw within two years of the date of that vote.

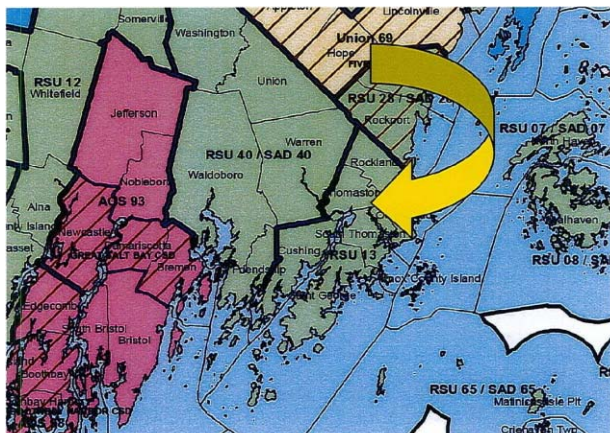
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## REGIONAL SCHOOL UNIT NO. 13

### GENERAL

Regional School Unit No. 13 (“RSU 13”) became effective on July 1, 2009. The RSU’s territory comprises the towns of Cushing, Owls Head, South Thomaston, Thomaston and the city of Rockland (the “Member Municipalities”).

The RSU serves the educational needs for grades Kindergarten (“K”) through 12 for all of the residents of the Member Municipalities. The RSU’s administrative office is currently located at 28 Lincoln Street in Rockland, Maine. Under the School Consolidation Act, the RSU operates pursuant to Title 20-A, Chapter 103-A of the Maine Revised Statutes.



### RSU 13 ORGANIZATION

The RSU was reorganized as a consolidation of the former Maine School Administrative District No. 5, which served the towns of Owls Head and South Thomaston and the city of Rockland (“MSAD 5”) and former Maine School Administrative District No. 50, which served the towns of Cushing, St. George and Thomaston (“MSAD 50”). MSAD 5 and MSAD 50 submitted a *Regional School Unit Reorganization Plan* (the “Reorganization Plan”) on September 12, 2008, which was accepted by the Commissioner of Education. On November 4, 2008 the voters of MSAD 5 and MSAD 50 voted to reorganize as Regional School Unit No. 13, effective July 1, 2009. The RSU’s Certificate of Organization was amended on December 3, 2014, after the vote by the Town of St. George to withdraw from the RSU (see “Regional School Unit No. 13 – RSU 13 Organization – Subsequent Event” herein).

### Subsequent event

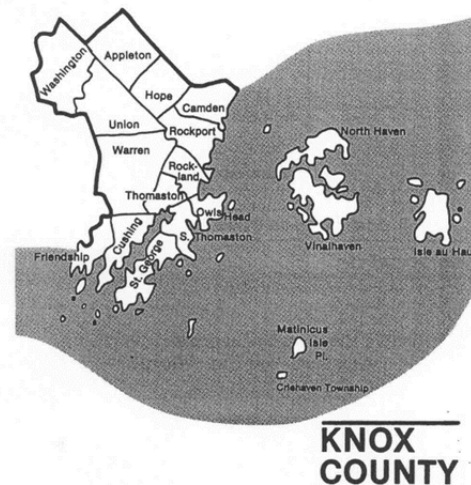
On August 12, 2014 the Town of St George (formerly an original Member Municipality of RSU 13) and RSU 13 entered into a Withdrawal Agreement such that, effective July 1, 2015 the St George Municipal School Unit operates under its individual supervision. Secondary students who reside in the Town of St George attend the high schools, as tuition students, of Five Town Community School District (“CSD”) (Camden Hills Regional High School in Rockport), RSU 13 (Oceanside High School in Rockland) or RSU 40 (Medomak Valley High School in Waldoboro). St. George resident students attend Vocational Region 8, Mid-Coast School of Technology (“Region 8”) through the respective sending high schools. Pursuant to Section 7 of the Withdrawal Agreement, St. George became a separate Member SAU of Region 8 and is assessed for resident student counts, accordingly.

### THE MEMBER MUNICIPALITIES

The municipalities that comprise the Region are located in the Mid-Coast region of the State of Maine, in the southeastern portion of the County of Knox and is strategically located between Maine’s major population centers, being 82 miles northeast of the City of Portland, the State’s largest city; 45 miles southeast of the City of Augusta, the State’s capital; and 62 miles southwest of the City of Bangor, the commercial and service center for eastern and northern Maine. The boundaries of the Member Municipalities are formed by Rockland on the northeast and upper northwest; Thomaston and Cushing establish the mid-eastern and lower eastern



borders, respectively; bisected by the St. George River Cushing, to the west and South Thomaston, east, are the southern line; South Thomaston, Owls Head and Rockland, each on the shoreline of Penobscot Bay, are the eastern boundary. US Route 1 enters the area’s center and proceeds north along the coast. State Routes 17, 73, 97 and 131 also provide transit in the area. Air service is available at the Knox County Regional Airport, in Owl’s Head. The Maine State Ferry Service Terminal, located in the City, serves sea routes to the islands of North Haven, Vinalhaven and Matinicus, in Penobscot Bay.



The area had originally been granted by the Plymouth Council in England to owners of the Muscongus Patent on March 2, 1630. General Samuel Waldo, a Boston merchant, bought the patent around 1737 and General Henry Knox, who married General Waldo’s granddaughter, purchased large portions of the patent and renamed the area the Waldo Patent. The territory which currently embraces the towns of Owl’s Head, South Thomaston, Thomaston and the City of Rockland incorporated as the Town of Thomaston on March 20, 1777. Upon the establishment of a post office in that section of Thomaston, in 1820, the settlement took the name of East Thomaston. On July 28, 1848 both East Thomaston and South Thomaston (which, until April 1921, also included Owl’s Head) set off from Thomaston forming separate towns. East Thomaston’s name was changed to “Rockland” on July 17, 1850 and part of Rockland was set off back to Thomaston on April 4, 1852. On June 3, 1854 Rockland organized as a city. The Lower Plantation of St Georges, also part of the Waldo Patent, extended on both sides of the St. George River incorporating as Cushing in January 30, 1789 but divided on February 7, 1803 forming the present day towns of Cushing and St. George. The County of Knox was formed from portions of Lincoln and Waldo counties on April 1, 1860, with Rockland becoming the county seat.

Rockland and Thomaston are suburban-urban coastal communities, Cushing, South Thomaston and Owls Head have sub-urban, rural characteristics comprised of residential, commercial, waterfront, industrial, woodland/wildlife and community/business zones, open space, coastal and woodland areas with consolidated area embracing approximately 63.3 square land miles.

**GOVERNANCE**

The RSU is governed by a Board of Directors (the “Board”), which comprises ten Directors who are elected for three-year staggered terms. Each of the five Member Municipalities are represented by three Board members (the “Directors”). The Directors’ votes are weighted as follows:

<u>Member Municipality</u>	<u>No. of Directors</u>	<u>Votes per Director</u>	<u>Votes per Member Municipality</u>
Cushing	1	104	104
Owls Head	1	108	108
Rockland	5	98	490
South Thomaston	1	107	107
Thomaston	<u>2</u>	95	<u>190</u>
Totals	10		999

The Superintendent of Schools is responsible for the ongoing administration of the RSU and serves as the Secretary and Treasurer of the RSU.

## LABOR RELATIONS

The RSU has 380 full-time (“FTE”), full time equivalent) and various part-time employees. District employees (other than managerial and confidential employees) are entitled to join unions and to bargain collectively on questions of wages, hours and other terms and conditions of employment. Unionized employees are represented by the Seacoast Education Association (“SEA”), each through their affiliation with the Maine Education Association (“MEA”), as separate bargaining units. Other RSU employees are not represented by a union.

<u>Union</u>	<u>Members</u>	<u>Bargaining Unit</u>	<u>Date of Contract</u>	
			<u>Effective</u>	<u>Expiration</u>
SEA	165	Teachers	Sept. 1, 2013	August 31, 2016
SEA	135	Education Support Professional	July 1, 2012	June 30, 2015

## THE SCHOOLS

<u>School</u> <sup>(1)</sup>	<u>Location</u>	<u>Grades</u>	<u>As of October 1, 2016</u>		
			<u>Resident Enrollment</u> <sup>(2)</sup>	<u>Tuition Students</u>	<u>Attending Enrollment</u> <sup>(3)</sup>
Cushing Community	Cushing	K – 5	88	2	90
Gilford Butler	South Thomaston	K – 2	75	1	76
South	Rockland	4 yrs – 5	364	6	370
Thomaston Grammar	Thomaston	K – 5	187	2	189
Owls Head Central	Owls Head	3 – 5	90	1	91
Oceanside Middle	Thomaston	6 – 8	389	8	397
Oceanside High	Rockland	9 – 12	408	58	466

NOTE: <sup>(1)</sup> The Projects financed by the Bonds will result in the renovation, construction and equipping of an addition to Oceanside Middle School, Oceanside High School, a new pre-K to grade 5 school on the site of the current Owls Head Community School (that will replace the current Owls Head Community School and Gilford Butler School), demolition of the existing Owls Head Community School, closure of the Gilford Butler School and Lura Libby School, in Thomaston.

<sup>(2)</sup> **Resident Enrollment** is based on where the students live. They are counts of students who reside in each school district and are educated at public expense. Public school district resident counts include: (1) resident students from the local school unit attending schools in the local school unit, plus (2) resident students from the local unit who are tuitioned to other public school units or private schools and who are paid for with public funds.

<sup>(3)</sup> **Attending Enrollment** is an attending student count, or a head count of students, based on where the students are educated. Public school district attending counts include: (1) students from the local school district attending schools in the local school district, plus (2) students from outside the school district who are tuitioned from other school districts.

## ENROLLMENTS

### Member Municipalities Enrollments

<u>Oct. 1,</u>	<u>Cushing</u>		<u>Owls Head</u>		<u>Rockland</u>		<u>So Thomaston</u>		<u>Thomaston</u>		<u>Totals</u>
2016	192	12.0%	137	8.6%	745	46.5%	159	9.9%	368	23.0%	1,601
2015	191	11.5%	157	9.5%	765	46.2%	172	10.4%	372	22.5%	1,657
2014	206	12.5%	155	9.4%	743	45.1%	174	10.6%	370	22.5%	1,648
2013	209	12.6%	159	9.6%	749	45.2%	187	11.3%	354	21.4%	1,658
2012	204	12.1%	177	10.5%	763	45.2%	188	11.1%	355	21.0%	1,687
2011	205	11.8%	181	10.4%	794	45.6%	204	11.7%	356	20.5%	1,740
2010	207	11.6%	172	9.7%	819	46.0%	202	11.4%	379	21.3%	1,779
2009	224	12.1%	189	10.2%	842	45.5%	207	11.2%	389	21.0%	1,851

**RSU 13 School Enrollment Trend**

<b>Oct. 1,</b>	<b>Grades</b>			<b>Total Resident</b>	<b>Non-Resident</b>		<b>Total Enrollment</b>
	<b>K - 5</b>	<b>6 - 8</b>	<b>9 - 12</b>		<b>St George</b>	<b>Other</b>	
2016	757	389	408	1,601	64	14	1,679
2015	808	369	480	1,657	65	11	1,733
2014	791	349	508	1,648	268	11	1,927
2013	815	324	519	1,658	262	11	1,931
2012	773	361	553	1,687	273	13	1,973
2011	761	386	593	1,740	288	22	2,050
2010	764	447	568	1,779	299	21	2,099
2009	796	439	616	1,851	293	14	2,158

**Cushing Resident School Enrollment Trend**

<b>Oct. 1,</b>	<b>Grades</b>			<b>Total Enrollment</b>
	<b>K - 5</b>	<b>6 - 8</b>	<b>9 - 12</b>	
2016	96	42	52	190
2015	94	41	56	191
2014	99	45	62	206
2013	101	34	74	209
2012	95	43	66	204
2011	93	41	71	205
2010	89	59	59	207
2009	95	55	74	224

**Owls Head Resident School Enrollment Trend**

<b>Oct. 1,</b>	<b>Grades</b>			<b>Total Enrollment</b>
	<b>K - 5</b>	<b>6 - 8</b>	<b>9 - 12</b>	
2016	65	27	43	135
2015	69	33	55	157
2014	66	29	60	155
2013	67	36	56	159
2012	75	43	59	177
2011	66	47	68	181
2010	73	41	58	172
2009	82	47	60	189

**Rockland Resident School Enrollment Trend**

<b>Oct. 1,</b>	<b>Grades</b>			<b>Total Enrollment</b>
	<b>K - 5</b>	<b>6 - 8</b>	<b>9 - 12</b>	
2016	359	176	176	711
2015	372	175	218	765
2014	357	159	227	743
2013	370	144	235	749
2012	353	156	254	763
2011	350	177	267	794
2010	351	208	260	819
2009	367	195	280	842

**South Thomaston Resident School Enrollment Trend**

<b>Oct. 1,</b>	<b>Grades</b>			<b>Total Enrollment</b>
	<b>K - 5</b>	<b>6 - 8</b>	<b>9 - 12</b>	
2016	73	47	38	158
2015	83	42	47	172
2014	84	35	55	174
2013	94	26	67	187
2012	84	32	72	188
2011	88	41	75	204
2010	80	50	72	202
2009	80	55	72	207

**Thomaston Resident School Enrollment Trend**

<b>Oct. 1,</b>	<b>Grades</b>			<b>Total Enrollment</b>
	<b>K - 5</b>	<b>6 - 8</b>	<b>9 - 12</b>	
2016	164	97	99	360
2015	190	78	104	372
2014	185	81	104	370
2013	183	84	87	354
2012	166	87	102	355
2011	164	80	112	356
2010	171	89	119	379
2009	172	87	130	389

**Technical Education**

Title 20-A, Chapter 313 of the Maine Revised Statutes, provides for “applied technology education” or a course or program of education which is designed to create or improve job-related skills that are part of a secondary school curriculum. The RSU is a member of the Vocational Region 8, Mid-Coast School of Technology, located in Rockland, (“Region 8”) a school charged with delivering applied technology programs. Region 8 is established in a cooperative agreement, (the “Cooperative Agreement”) by the SAUs from one city, 18 towns and two plantations, as follows: Five Town CSD (comprised of the towns of Appleton, Camden, Hope, Rockport and Lincolnville), RSU 13 (comprised of the towns of Cushing, Owls Head, South Thomaston, Thomaston and the city of Rockland), RSU 40 (comprised of the towns of Friendship, Union, Waldoboro, Warren and Washington), RSU 65 (comprised of Matinicus Isle Plantation), RSU 7 (comprised of the town of North Haven), RSU 8 (comprised of the town of Vinalhaven), Monhegan Island Plantation and the towns of Islesboro and Saint George. In summary, the Region is comprised of one CSD, five RSUs or RSU/MSADs and three towns with Individual Supervision.

Each school administrative unit is responsible for its proportionate share of the Region’s operating expenses, including debt repayment, which is included in the respective unit’s annual assessment. Region 8 is currently financing and constructing a new \$25 million facility at its current location at 12 Main Street in Rockland. Region 8’s enrollment currently includes 427 Resident Students and 30 Attending Students of the 1,819 Attending Resident high school students that comprise Region 8.

## REPRESENTATIVE EMPLOYERS

Representative Employer	Municipality	Business	Approximate # Employees
Dragon Products Co	Thomaston	Cement Manf	100-249
Fisher Eng, div Douglas Dynamics LLC	Rockland	Snow Removal Equip	100-249
FMC Health and Nutrition <sup>(1)</sup>	Rockland	Organic Chemicals	100-249
Home Depot	Rockland	Retail Home Center	100-249
Kno-Wal-Lin Home Care	Rockland	Home Health Serv	100-249
Knox Center for Long-term Care	Rockland	Rehab Services	100-249
Lowe's Home Improvement	Thomaston	Retail Home Center	100-249
Lyman Morse Boatbuilding Inc	Thomaston	Boatbuilding	100-249
Maritime Energy	Rockland	Petroleum Sales	100-249
Mid-Coast Mental Health Center	Rockland	Soc Serv & Health Care	100-249

NOTE: On March 31, 2017 Dow Chemical Co [NYSE: DOW] and E.I. DuPont de Nemours (“DuPont”) [NYSE: DD] agreed to merge companies. Also on March 31, 2017, FMC [NYSE: FMC] and DuPont agreed to divest major parts of its crop protection business and FMC will divest herbicides. Also, DuPont will divest its alginates business (seaweed processing) and FMC will sell its Health and Nutrition business to DuPont. These proposed actions have been granted conditional regulatory clearance until all divestitures are completed. Should this occur the FMC Health and Nutrition business will become part of Dow/DuPont.

## Unemployment

	<u>Cushing</u>	<u>Owls Head</u>	<u>Rockland</u>	<u>South Thomaston</u>	<u>Thomaston</u>	<u>County of Knox</u>	<u>State of Maine</u>	<u>USA</u>
2016	3.30%	3.40%	4.40%	4.20%	3.50%	3.60%	3.90%	4.90%
2015	4.10	3.50	5.10	4.00	4.10	4.10	4.40	5.30
2014	4.70	4.30	6.20	6.60	5.30	5.20	5.70	6.20
2013	4.80	5.50	6.50	7.40	7.20	6.00	6.70	7.40
2012	5.80	5.80	8.10	8.20	8.60	6.80	7.30	8.10
2011	5.90	6.30	8.10	7.00	8.20	7.00	7.50	8.90
2010	6.70	6.40	8.50	7.10	8.00	7.40	7.90	9.60
2009	7.10	7.60	9.10	10.60	8.20	7.80	8.00	9.30
2008	4.60	4.00	6.10	7.20	5.40	5.10	5.40	5.80
2007	3.80	3.80	5.20	6.00	4.70	4.40	4.60	4.60

SOURCE: State of Maine, Department of Labor, Division of Economic Analysis and Research.

**ECONOMIC CHARACTERISTICS**

<b>Population</b>	<u>Member Municipality</u>					<b>Total</b>	<b>% Change</b>	<b>County of Knox</b>
	<u>Cushing</u>	<u>Owls Head</u>	<u>Rockland</u>	<u>South Thomaston</u>	<u>Thomaston</u>			
1970	522	1,281	8,505	831	2,646	13,785	0.23%	29,013
1980	795	1,633	7,919	1,064	2,900	14,311	3.82%	32,941
1990	988	1,574	7,972	1,227	3,306	15,067	5.28%	36,310
2000	1,322	1,601	7,609	1,416	3,748	15,696	4.17%	39,618
2010	1,534	1,580	7,297	1,558	2,781	14,750	(6.03%)	39,736

<b>Population Characteristics</b>	<u>Cushing</u>	<u>Owls Head</u>	<u>Rockland</u>	<u>South Thomaston</u>	<u>Thomaston</u>	<b>County of Knox</b>	<b>State of Maine</b>	<b>USA</b>
Median age (years)	44.0	52.1	43.5	47.1	44.0	46.2	42.7	37.2
% school age	17.1%	12.9%	12.4%	15.5%	15.1%	14.6%	18.2%	20.4%
% working age	59.7%	58.5%	62.0%	59.8%	60.8%	61.5%	63.4%	62.9%
% 65 and over	17.5%	25.0%	19.7%	20.5%	18.1%	19.1%	15.9%	13.0%
Persons/household	2.38	2.13	2.06	2.31	2.25	2.22	2.32	2.58

<b>Income</b>	<u>Cushing</u>	<u>Owls Head</u>	<u>Rockland</u>	<u>South Thomaston</u>	<u>Thomaston</u>	<b>County of Knox</b>	<b>State of Maine</b>	<b>USA</b>
Median family income	\$50,625	\$62,788	\$43,875	\$55,000	\$54,510	55,830	58,185	62,982
% below poverty level	18.6%	8.6%	21.4%	9.1%	10.4%	12.5%	12.6%	13.8%
Per capita income	\$27,599	\$31,871	\$19,779	\$24,522	\$23,010	\$25,291	\$25,385	\$27,334

<b>Housing</b>	<u>Cushing</u>	<u>Owls Head</u>	<u>Rockland</u>	<u>South Thomaston</u>	<u>Thomaston</u>	<b>County of Knox</b>	<b>State of Maine</b>	<b>USA</b>
% owner occupied	77.5%	84.8%	55.2%	87.4%	71.2%	77.7%	73.1%	66.6%
% Built before 1939	24.5%	28.4%	52.6%	25.6%	50.3%	37.5%	28.1%	14.1%
% Built since 2000	9.2%	9.1%	4.2%	7.5%	7.7%	6.6%	8.9%	12.8%
Owner occupied med. value	\$201,300	\$253,900	\$175,100	\$230,600	\$202,900	\$203,800	\$176,200	\$188,400
Median gross rent	\$675	\$792	\$719	\$900	\$679	\$726	\$707	\$841
Occupied housing units	556	711	3,385	661	1,287	16,945	551,125	-

SOURCE: 2010 Census, U.S. Department of Commerce, Bureau of the Census.

## **RSU FINANCES**

### **BUDGETARY PROCESS**

Title 20-A, Sections 1482-1489 of the Maine Revised Statutes, provides for a budget process for the RSU. The fiscal year (or “budget year”) of the RSU begins on the first day of July and ends on the 30<sup>th</sup> day of June of the following year. Pursuant to statute the RSU Board annually prepare a budget for: (a) operational costs; (b) bonds falling due; (c) interest on bonds or other obligations; (d) rentals and other charges in a contract; and (e) temporary loans. The RSU’s budget must be approved at a budget meeting and by a budget validation referendum. The Board calls a budget meeting at a time it determines. At least seven days before the budget meeting the Board makes available to the legislative body responsible for final budget approval and residents of the RSU a detailed budget document, which includes a summary of anticipated revenues and estimated expenditures. The budget meeting is held, whereby a majority vote of the voters present and voting approve the annual budget. Following development of the annual budget and approval at the budget meeting, a budget validation referendum (the “Budget Validation Referendum”) must be held to allow the voters to validate or reject the total budget. The Budget Validation Referendum must be held on or before the 30<sup>th</sup> calendar day following the scheduled date of the budget meeting.

### **Failure to Approve Budget**

If the voters do not validate the budget approved in the RSU budget meeting at the Budget Validation Referendum vote, the RSU Board holds another RSU budget meeting in accordance with Sections 1486 and 1485 of Title 20-A of the Maine Revised Statutes, at least 10 days but not more than 45 days after the referendum, to vote on a budget approved by the RSU Board. The budget approved at the RSU budget meeting must be submitted to the voters for validation at referendum in accordance with this Section 1486. The process must be repeated until a budget is approved at an RSU budget meeting and validated at referendum. If a budget is not approved and validated before July 1st of each year, the latest budget approved at an RSU budget meeting, and submitted to the voters for validation at a referendum, is automatically considered the budget for operational expenses for the ensuing year until a final budget is approved at an RSU budget meeting and validated at a referendum.

### **Special Budget Meeting**

Section 1488 of Title 20-A of the Maine Revised Statutes, provides that the RSU Board may call a special budget meeting when it declares that an emergency exists. The voters of the RSU may authorize the RSU Board, at a special RSU budget meeting, to expend additional funds from the RSU’s Unassigned Fund Balance or to pledge the credit of the RSU to obtain additional money for the operation of schools.

### **Assessments**

In accordance with the budget approved by the voters, the RSU Board issues its warrants to the assessors of each member municipality, requiring them to assess upon the taxable estates within the municipality an amount which is that municipality’s share of the RSU’s costs. Each municipal treasurer will pay the RSU amounts set by the RSU, in monthly installments on or before the 20<sup>th</sup> day of each month. The following table sets forth trends in the RSU’s General Fund budgets for the last four years and for the current fiscal year:

**RSU 13's Budgets**

	<u>2013/2014</u>	<u>2014/2015</u>	<u>2015/2016</u>	<u>2016/2017</u>	<u>2017/2018</u>
<b>REVENUES</b>					
Local assessments	\$22,615,244	\$23,603,358	\$20,869,760	\$21,155,336	\$21,690,769
State EPS	3,423,481	3,217,703	2,918,551	3,434,664	3,496,481
Other intergovernmental	113,999	265,924	50,500	78,250	112,250
Charges for services	39,000	39,000	958,500	869,250	960,500
Interest income	12,000	9,000	8,325	12,500	12,500
Miscellaneous	85,000	41,000	15,000	15,000	27,500
Transfers from other	0	0	45,000	85,000	60,000
<b>TOTAL REVENUES</b>	<b>26,288,724</b>	<b>27,175,985</b>	<b>24,865,636</b>	<b>25,650,000</b>	<b>26,360,000</b>
<b>EXPENDITURES</b>					
Instruction	10,469,518	10,989,037	9,973,800	10,139,406	10,240,000
Special	4,024,415	4,174,217	4,291,235	4,519,886	5,120,000
Career & technical	948,540	951,336	836,685	806,743	770,350
Other	601,480	608,245	556,046	556,750	521,650
Student & staff support	2,636,980	2,661,056	2,630,087	2,709,807	2,667,000
System administration	861,375	702,246	677,612	707,259	665,000
School administration	1,553,218	1,518,498	1,410,385	1,238,846	1,415,000
Transportation	1,367,679	1,376,241	1,265,956	1,234,982	1,335,000
Facilities	3,364,414	3,153,457	2,906,466	3,296,440	2,978,000
Debt service	759,105	784,802	434,364	391,781	930,000
Transfers to other	640,000	256,850	258,000	258,000	258,000
<b>TOTAL EXPENDITURES</b>	<b>27,226,724</b>	<b>27,175,985</b>	<b>25,240,636</b>	<b>25,960,000</b>	<b>26,900,000</b>
<b>EXCESS OF REVENUES OVER(UNDER)</b>	<b>(938,000)</b>	<b>0</b>	<b>(375,000)</b>	<b>(310,000)</b>	<b>(540,000)</b>
<b>USE OF FUND BALANCE</b>	<b>\$938,000</b>	<b>\$0</b>	<b>\$375,000</b>	<b>\$310,000</b>	<b>\$540,000</b>

**FUND BALANCE**

The RSU is compelled to maintain an unallocated fund balance in an amount not to exceed 3% each year due to the 3% law, as discussed below:

**The 3% Law**

Pursuant to Title 20-A, Section 15689-B(6) of the Maine Revised Statutes:

“Notwithstanding any other law, general operating fund balances at the end of a school administrative unit’s fiscal year must be carried forward to meet the school’s needs in the next year or over a period not to exceed 3 years. Unallocated balances in excess of 3% of the previous year’s school budget must be used to reduce the state and local share of the total allocation for the purpose of computing state subsidy. School boards may carry forward unallocated balances in excess of 3% of the previous year’s school budget and disbursing these funds in the next year or over a period not to exceed 3 years” (the “3% Law”).

The 3% Law applies only to “unallocated” fund balances. An SAU’s “allocated” balances are not subject to this limitation. An SAU’s legislative body may “allocate” its fund balance to the next year’s budget or into a reserve account through their annual budget process and/or a special article. The following is a worksheet that the State Department of Education (“DOE”) provides to SAUs to calculate its “unallocated” fund balance.



**Unallocated Fund Balance Calculation**

1) Prior Fiscal Year ("Prior FY") Operating Budget (Prior FY EF-M-46, page 2, column 6, line 22)	=	\$ _____
2) 3% of Operating Budget (3% x \$ _____)	=	\$ _____
3) Actual ending balance (Prior FY EF-M-45, page 12, column 1, line 13)	=	\$ _____
4) Balance used for budget purposes (allocated) (Current Fiscal Year EF-M-46, page 3, line 30)	=	\$ _____
5) <b>Unallocated</b> ending balance (3. minus 4.)	=	\$ _____
6) 3% X prior year's budget (2.)	=	\$ _____
7) Amount in <b>excess</b> of 3% (5. minus 6. or zero if less than zero)	=	\$ _____

Typically the State DOE assumes that some or all excess is used to reduce any amounts raised locally without State participation. If some or all of the excess remains, then the State DOE will assume that the State share of the EPS allocation should have been reduced and prorate the State share accordingly.

**General Fund Balance as % Budgeted Expenditures**

	Fiscal Year Ended June 30,				
	2012	2013	2014	2015	2016
Assigned and Unassigned General Fund Balance	\$1,023,588	\$152,744	\$844,015	(\$775,351)	(\$307,623)
Total Budgeted Expenditures	26,148,204	26,462,700	27,226,724	27,175,985	25,240,636
Fund Balance as % Budgeted Expenditures	3.91%	0.58%	3.10%	(2.85%)	(1.22%)

**Differences in Budgetary versus GAAP Fund Balance**

	2013	2014 <sup>(1)</sup>	2015	Fiscal Year End June 30,		2018 <sup>(2)</sup>	2019 <sup>(2)</sup>	2020 <sup>(2)</sup>
				2016	2017 <sup>(2)</sup>			
Budgetary Fund Balance	\$1,207,210	\$888,214	\$1,513,214	\$1,766,214	\$2,074,714	\$2,384,969	\$2,697,032	\$3,260,956
Accrued Summer:								
Salary	(1,675,000)	(2,080,000)	(2,220,000)	(1,950,000)	(2,008,500)	(2,068,755)	(2,130,818)	(2,194,742)
Benefits	(400,000)	0	0	0	0	0	0	0
Neg Fund Bal	(560,000)	0	0	0	0	0	0	0
Transfer out	0	0	0	(327,000)	(250,000)	(250,000)	(250,000)	0
Est Rev. over Exp.	0	0	0	500,000	500,000	500,000	500,000	500,000
From St George	0	0	0	350,000	0	0	0	0
GAAP Fund Balance	\$(1,427,790)	\$(1,191,786)	\$(706,568)	\$(183,786)	\$66,214	\$316,214	\$566,214	\$1,066,214

NOTE: <sup>(1)</sup> Restated

<sup>(2)</sup> Assumes 2.5% annual increase in Budgets

**INVESTMENT POLICY**

Pursuant to applicable Maine law [Title 20-A, Section 1491(2) and Title 30-A, Section 5706 *et seq.* of the Maine Revised Statutes] all investments of the RSU must be made with the judgment and care that persons of prudence, discretion and intelligence, under circumstances then prevailing, exercise in the management of their own affairs, not for speculation but for investment considering (i) safety of principal and maintenance of capital, (ii) maintenance of sufficient liquidity to meet all operating and cash requirements with which a fund is charged, that is reasonably expected, and (iii) return of income commensurate with avoidance of unreasonable risk. The RSU's investment practice is to maintain a cash and investment pool that is available for use by all funds and consists of short-term investments. The RSU is invested principally in direct obligations of the United States government and its agencies. The RSU is not invested in any obligations typically referred to as

derivatives, meaning obligations created from, or whose value depends on or is derived from the value of one or more underlying assets or indexes of asset values in which the municipality owns no direct interest.

## **FINANCIAL STATEMENTS**

Title 30-A, Chapter 223, Subchapter VIII of the Maine Revised Statutes, provides for independent annual audits of the RSU's accounts and establishes procedures for such audits. The RSU, in conformance with this statute and its Charter, currently engages the services of RHR Smith & Company, Certified Public Accountants ("RHR"). The RSU's fiscal year 2016 Annual Report, audited by RHR, is presented as APPENDIX A to this Official Statement. The consent of RHR for the incorporation of the Financial Statements included in APPENDIX A has not been requested by the RSU, nor has it been received.

The Member Municipalities' most recent audited fiscal year's Financial Statements are presented as APPENDIX B (Town of Cushing, Maine), APPENDIX C (Town of Owls Head, Maine) and APPENDIX D (City of Rockland, Maine), APPENDIX E (Town of South Thomaston, Maine), APPENDIX F (Town of Thomaston, Maine) to this Official Statement. Being of public record, the consent of the Member Municipalities or of its auditors has not been requested by the RSU, nor has it been received, for the incorporation as appendices to this Official Statement.

## **FUNDS**

The accounts of the RSU are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts which comprise its assets, liabilities, equities, revenues and expenditures or expenses. The following fund types and account groups are used by the RSU:

### **Governmental Funds**

The **General Fund** is the general operating fund of the RSU. It is used to pay the general operating expenditures, the fixed charges and the capital improvement costs that are not paid through other funds.

**Fiduciary Funds** focuses on net assets held by the RSU in a trustee capacity or as an agent for individuals, private organizations and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

## **COMPARATIVE FINANCIAL STATEMENTS**

### **The Member Municipalities**

Displayed on the following pages, are the comparative financial statements of the Member Municipalities' *Combined Balance Sheet – General Fund* and *Comparative Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund*, for its respective most recent three audited fiscal periods.

### **The RSU**

Also displayed on the following pages are the comparative financial statements of the RSU's *Combined Balance Sheet – General Fund* and the RSU's *Comparative Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund* for its most recent five audited fiscal periods.

**TOWN OF CUSHING, MAINE**

**COMPARATIVE BALANCE SHEET  
GENERAL FUND  
(As of December 31,)**

	2016	2015	2014
<b>ASSETS</b>			
Cash and equivalents	\$2,582,327	\$2,337,716	\$2,398,134
Investments	2,389	17,694	17,637
Taxes receivable	327,293	254,135	269,005
Tax liens	41,371	42,284	32,627
Tax acquired property	2,471	0	0
<b>TOTAL ASSETS</b>	<u>2,955,852</u>	<u>2,651,829</u>	<u>2,717,404</u>
<b>LIABILITIES</b>			
Accounts payable	43,603	2,150	5,029
Due to other	0	0	3,868
Inter-fund	401,668	352,011	443,714
<b>TOTAL LIABILITIES</b>	<u>445,271</u>	<u>354,160</u>	<u>452,610</u>
<b>DEFERRED</b>			
Prepaid property taxes	1,518	40,512	35,935
Deferred property taxes	294,931	237,135	241,000
<b>TOTAL DEFERRED</b>	<u>296,449</u>	<u>277,647</u>	<u>276,935</u>
<b>FUND EQUITY</b>			
Non-spendable	0	0	0
Restricted	0	0	0
Committed	0	0	0
Assigned	732,566	618,804	602,035
Unassigned	1,481,565	1,401,218	1,385,824
<b>TOTAL EQUITY</b>	<u>2,214,131</u>	<u>2,020,022</u>	<u>1,987,859</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$2,955,852</u>	<u>\$2,651,829</u>	<u>\$2,717,404</u>
<b>Fund Balance as % Revenues</b>	<b>51.70%</b>	<b>49.45%</b>	<b>52.27%</b>

**COMPARATIVE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GENERAL FUND  
(For the Years Ended December 31,)**

	2016	2015	2014
<b>REVENUES</b>			
Property taxes	\$3,705,526	\$3,578,249	\$3,309,298
Excise taxes	315,992	290,906	261,068
Intergovernmental	109,279	101,481	101,357
Charges for services	47,586	43,166	32,853
Investment income	3,672	2,058	1,165
Interest and liens	6,524	5,598	14,923
Licenses and permits	2,299	1,914	100
Other	91,394	61,287	82,284
<b>TOTAL REVENUES</b>	<u>4,282,273</u>	<u>4,084,660</u>	<u>3,803,047</u>
<b>EXPENDITURES</b>			
General government	247,322	243,347	245,241
Public safety	96,958	97,764	90,653
Public works	82,125	260,865	98,161
Health and sanitation	106,832	104,406	104,214
Health and welfare	8,876	8,816	9,069
Culture and recreation	16,774	15,981	22,778
County tax	294,617	275,817	260,256
Education	3,059,236	2,899,873	2,651,183
Unclassified	86,173	73,839	60,392
<b>TOTAL EXPENDITURES</b>	<u>3,998,912</u>	<u>3,980,708</u>	<u>3,541,946</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	283,360	103,952	261,101
<b>OTHER FINANCING</b>	<u>(89,251)</u>	<u>(71,789)</u>	<u>(75,300)</u>
<b>NET CHANGE</b>	194,109	32,163	185,801
<b>FUND BALANCE, JAN. 1,</b>	2,020,022	1,987,859	1,802,058
<b>FUND BALANCE, DEC. 31,</b>	<u>\$2,214,131</u>	<u>\$2,020,022</u>	<u>\$1,987,859</u>

Prepared from Audited Financial Statements

**TOWN OF OWLS HEAD, MAINE**

**COMPARATIVE BALANCE SHEET  
GENERAL FUND  
(As of June 30,)**

**COMPARATIVE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GENERAL FUND  
(For the Years Ended June 30,)**

	2016	2015	2014
<b>ASSETS</b>			
Cash and equivalents	\$873,529	\$980,646	\$894,083
Taxes receivable	215,954	212,607	235,951
Tax liens	18,859	20,038	40,579
Accounts receivable	0	28	28
Due from other governments	11,127	7,063	40,004
Due from other funds	8,054	8,054	8,054
<b>TOTAL ASSETS</b>	<b>1,127,523</b>	<b>1,228,436</b>	<b>1,218,699</b>
<b>LIABILITIES</b>			
Accounts payable	7,239	6,920	35,485
Due to other governments	5,146	5,019	3,720
Payroll taxes	1,620	5,644	5,711
Due to other funds	51,584	44,940	33,879
<b>TOTAL LIABILITIES</b>	<b>65,589</b>	<b>62,523</b>	<b>78,795</b>
<b>DEFERRED</b>			
Prepaid property taxes	6,284	8,119	26,809
Deferred property taxes	84,625	107,023	191,692
<b>TOTAL DEFERRED</b>	<b>90,909</b>	<b>115,142</b>	<b>218,501</b>
<b>FUND EQUITY</b>			
Non-spendable	0	0	0
Restricted	40,103	37,314	35,586
Committed	37,605	37,605	37,605
Assigned	8,707	14,033	98,193
Unassigned	884,610	961,819	750,019
<b>TOTAL EQUITY</b>	<b>971,025</b>	<b>1,050,771</b>	<b>921,403</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$1,127,523</b>	<b>\$1,228,436</b>	<b>\$1,218,699</b>

	2016	2015	2014
<b>REVENUES</b>			
Taxes	\$4,134,625	\$3,863,987	\$3,762,834
Intergovernmental	92,018	82,415	123,572
Intergovernmental	68,216	66,838	81,049
<b>TOTAL REVENUES</b>	<b>4,294,859</b>	<b>4,013,240</b>	<b>3,967,455</b>
<b>EXPENDITURES</b>			
General government	238,120	249,947	228,280
Public safety	269,234	262,137	356,294
Public works	529,674	543,095	431,251
Human services	500	2,463	4,487
Miscellaneous	908,615	17,251	62,764
Assessments	3,005,533	2,791,039	2,859,409
<b>TOTAL EXPENDITURES</b>	<b>4,951,676</b>	<b>3,865,932</b>	<b>3,942,485</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>(656,817)</b>	<b>147,308</b>	<b>24,970</b>
<b>OTHER FINANCING</b>			
Donation of land/other	586,030	0	116,000
Transfers in	33,747	32,691	37,890
Transfers out	(42,706)	(50,631)	(45,202)
<b>NET CHANGE</b>	<b>577,071</b>	<b>(17,940)</b>	<b>108,688</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>(79,746)</b>	<b>129,368</b>	<b>133,658</b>
<b>FUND BALANCE, JULY 1,</b>	<b>1,050,771</b>	<b>921,403</b>	<b>787,745</b>
<b>FUND BALANCE, JUNE 30,</b>	<b>\$971,025</b>	<b>\$1,050,771</b>	<b>\$921,403</b>

**Fund Balance as % Revenues      22.61%      26.18%      23.22%**

Prepared from Audited Financial Statements

**CITY OF ROCKLAND, MAINE**

**COMPARATIVE BALANCE SHEET  
GENERAL FUND  
(As of June 30,)**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>			
Cash and equivalents	\$3,244,253	\$830,999	\$1,602,605
Investments	1,402,952	1,567,173	1,541,052
Taxes receivable	1,359,060	1,354,605	1,399,060
Tax liens	340,564	385,895	336,962
Accounts receivable	133,265	133,201	82,640
User fees receivable	699,251	872,466	611,434
Tax acquired property	70,017	86,873	54,178
Prepaid expense	205,240	224,814	195,153
Due from other governments	94,443	66,153	53,777
Due from other funds	2,208,184	2,616,251	1,900,972
<b>TOTAL ASSETS</b>	<b>9,757,229</b>	<b>8,138,430</b>	<b>7,777,833</b>
<b>LIABILITIES</b>			
Accounts payable	59	10,165	6,175
Accrued salaries	51,704	24,819	12,477
Payroll taxes	98,781	62,254	52,125
Due to other funds	5,231,574	4,015,098	3,772,151
Deposits payable	25,103	38,003	19,303
<b>TOTAL LIABILITIES</b>	<b>5,407,221</b>	<b>4,150,339</b>	<b>3,862,231</b>
<b>DEFERRED</b>			
Deferred property taxes	1,257,944	1,331,842	1,280,123
Deferred other	78,096	48,051	17,928
Prepaid property taxes	28,458	25,358	30,177
<b>TOTAL DEFERRED</b>	<b>1,364,498</b>	<b>1,405,251</b>	<b>1,328,228</b>
<b>FUND EQUITY</b>			
Non-spendable	0	0	0
Restricted	145,516	100,822	0
Committed	1,454,209	1,244,392	1,197,116
Assigned	43,489	44,149	176,593
Unassigned	1,342,296	1,193,477	1,213,665
<b>TOTAL EQUITY</b>	<b>2,985,510</b>	<b>2,582,840</b>	<b>2,587,374</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$9,757,229</b>	<b>\$8,138,430</b>	<b>\$7,777,833</b>

**COMPARATIVE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GENERAL FUND  
(For the Years Ended June 30,)**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>REVENUES</b>			
Taxes	\$17,928,520	\$16,894,873	\$16,578,302
Intergovernmental	\$1,115,994	\$1,005,847	\$958,773
Departmental	\$3,446,873	\$3,237,470	\$2,663,679
Interest	\$51,354	\$38,754	\$30,078
Change in fair value	(14,881)	(15,761)	13,912
Other	391,875	321,904	370,315
<b>TOTAL REVENUES</b>	<b>22,919,735</b>	<b>21,483,087</b>	<b>20,615,059</b>
<b>EXPENDITURES</b>			
General government	1,678,865	1,535,117	1,495,188
Public safety	4,799,064	4,727,079	4,638,696
Public works	2,858,476	3,137,696	2,983,473
Health and welfare	104,070	128,052	98,852
Culture and recreation	1,150,258	1,160,722	1,154,071
Benefits	465,817	368,165	387,867
Capital projects	25,496	0	0
Debt service	1,133,518	999,321	1,240,838
Assessments	9,536,967	8,787,540	8,404,881
<b>TOTAL EXPENDITURES</b>	<b>21,752,531</b>	<b>20,843,692</b>	<b>20,403,866</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>1,167,204</b>	<b>639,395</b>	<b>211,193</b>
<b>OTHER FINANCING</b>			
Transfers in	1,278,937	1,366,952	1,541,955
Transfers out	(2,043,471)	(2,010,881)	(1,794,872)
<b>NET CHANGE</b>	<b>(764,534)</b>	<b>(643,929)</b>	<b>(252,917)</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>402,670</b>	<b>(4,534)</b>	<b>(41,724)</b>
<b>FUND BALANCE, JULY 1,</b>	<b>2,582,840</b>	<b>2,587,374</b>	<b>2,629,098</b>
<b>FUND BALANCE, JUNE 30,</b>	<b>\$2,985,510</b>	<b>\$2,582,840</b>	<b>\$2,587,374</b>

**Fund Balance as % Revenues**      **13.03%**      **12.02%**      **12.55%**

Prepared from Audited Financial Statements

**TOWN OF SOUTH THOMASTON, MAINE**

**COMPARATIVE BALANCE SHEET  
GENERAL FUND  
(As of December 31,)**

	2016	2015	2014
<b>ASSETS</b>			
Cash and equivalents	\$732,525	\$962,871	\$587,632
Accounts receivable	20,996	15,510	34,055
Due from other funds	1,474	34,450	0
Prepaid expenses	0	0	258,200
Taxes receivable	268,333	254,750	265,471
Tax liens	63,895	50,490	58,277
<b>TOTAL ASSETS</b>	<b>1,087,224</b>	<b>1,318,071</b>	<b>1,203,636</b>
<b>LIABILITIES</b>			
Accounts payable	7,785	40,867	7,676
Due to other funds	3,543	2,891	6,416
Due to other governments	1,655	4,315	4,315
<b>TOTAL LIABILITIES</b>	<b>12,983</b>	<b>48,073</b>	<b>18,408</b>
<b>DEFERRED</b>			
Prepaid property taxes	31,046	27,408	21,757
Deferred revenue	56,436	61,228	306,768
Deferred property taxes	265,782	244,192	258,999
<b>TOTAL DEFERRED</b>	<b>353,264</b>	<b>332,828</b>	<b>587,524</b>
<b>FUND EQUITY</b>			
Non-spendable	0	0	0
Restricted	0	0	0
Committed	0	0	0
Assigned	8,352	255,165	0
Unassigned	712,625	682,004	597,705
<b>TOTAL EQUITY</b>	<b>720,977</b>	<b>937,169</b>	<b>597,705</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$1,087,224</b>	<b>\$1,318,071</b>	<b>\$1,203,636</b>
<b>Fund Balance as % Revenues</b>	<b>17.48%</b>	<b>23.24%</b>	<b>15.41%</b>

Prepared from Audited Financial Statements

**COMPARATIVE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GENERAL FUND  
(For the Years Ended December 31,)**

	2016	2015	2014
<b>REVENUES</b>			
Property taxes	\$3,494,065	\$3,450,268	\$3,335,637
Excise taxes	378,386	340,525	327,717
Intergovernmental	127,234	103,647	89,285
Interest income	676	540	385
Tax and lien fees	18,699	24,712	23,191
Licenses and permits	3,937	2,392	3,923
Charges for services	41,187	72,524	49,788
Other	61,023	37,721	48,475
<b>TOTAL REVENUES</b>	<b>4,125,207</b>	<b>4,032,329</b>	<b>3,878,400</b>
<b>EXPENDITURES</b>			
General government	261,788	276,590	261,154
Public health and sanitation	209,768	207,001	205,760
Public works	196,887	192,623	227,606
Public safety	235,533	245,588	490,081
Assessments	2,996,787	2,894,821	2,806,875
Unclassified	363,981	142,244	18,257
<b>TOTAL EXPENDITURES</b>	<b>4,264,744</b>	<b>3,958,869</b>	<b>4,009,733</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>(139,537)</b>	<b>73,460</b>	<b>(131,334)</b>
<b>OTHER FINANCING</b>			
Transfers in	1,024	40,004	316,250
Transfers out	(76,448)	(69,000)	(84,500)
Other	(1,231)	295,000	0
<b>NET CHANGE</b>	<b>(76,655)</b>	<b>266,004</b>	<b>231,750</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>(216,192)</b>	<b>339,464</b>	<b>100,416</b>
<b>FUND BALANCE, JAN. 1,</b>	<b>937,169</b>	<b>597,705</b>	<b>497,289</b>
<b>FUND BALANCE, DEC. 31,</b>	<b>\$720,977</b>	<b>\$937,169</b>	<b>\$597,705</b>

**TOWN OF THOMASTON, MAINE**

**COMPARATIVE BALANCE SHEET  
GENERAL FUND  
(As of June 30,)**

	2016	2015	2014
<b>ASSETS</b>			
Cash and equivalents	\$21,947	\$21,359	\$23,453
Investments	4,010,195	3,130,040	2,832,671
Taxes receivable	610,447	583,615	592,031
Tax liens	139,341	166,091	164,712
Accounts receivable	127,398	112,881	118,693
<b>TOTAL ASSETS</b>	<b>4,909,328</b>	<b>4,013,986</b>	<b>3,731,560</b>
<b>LIABILITIES</b>			
Accounts payable	89,581	136,491	68,912
Taxes collected in advance	7,883	15,076	15,093
Inter-fund payables	1,728,574	1,568,527	1,496,940
<b>TOTAL LIABILITIES</b>	<b>1,826,038</b>	<b>1,720,094</b>	<b>1,580,945</b>
<b>DEFERRED</b>			
Prepaid property taxes	468,000	552,000	575,000
<b>TOTAL DEFERRED</b>	<b>468,000</b>	<b>552,000</b>	<b>575,000</b>
<b>FUND EQUITY</b>			
Non-spendable	0	0	0
Restricted	0	0	0
Committed	319,488	0	0
Assigned	1,122,725	844,103	771,837
Unassigned	1,173,077	897,789	803,778
<b>TOTAL EQUITY</b>	<b>2,615,290</b>	<b>1,741,892</b>	<b>1,575,615</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$4,909,328</b>	<b>\$4,013,986</b>	<b>\$3,731,560</b>
 <b>Fund Balance as % Revenues</b>	 <b>32.58%</b>	 <b>24.58%</b>	 <b>22.83%</b>

**COMPARATIVE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GENERAL FUND  
(For the Years Ended June 30,)**

	2016	2015	2014
<b>REVENUES</b>			
Taxes	\$6,937,225	\$6,380,045	\$5,962,590
Licenses, permits and permits	42,265	23,881	28,690
Intergovernmental	381,083	387,102	477,881
Charges for services	142,161	131,995	142,593
Investment income	1,065	628	488
Other	524,527	163,831	288,233
<b>TOTAL REVENUES</b>	<b>8,028,326</b>	<b>7,087,482</b>	<b>6,900,475</b>
<b>EXPENDITURES</b>			
General government	458,453	431,172	394,221
Municipal buildings	78,390	93,250	102,599
Public safety	596,215	622,632	641,779
Public works	441,270	487,461	455,434
Health and welfare	464,141	442,724	421,746
Education	3,756,886	3,389,803	3,221,566
County assessment	395,311	373,969	367,738
Recreation and leisure	71,707	83,060	64,816
Local agencies	16,256	17,665	16,573
Benefits	487,769	453,714	434,929
Unclassified	73,274	113,031	100,177
Capital outlay	180,846	362,724	454,444
<b>TOTAL EXPENDITURES</b>	<b>7,020,518</b>	<b>6,871,205</b>	<b>6,676,022</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>1,007,808</b>	<b>216,277</b>	<b>224,453</b>
<b>OTHER FINANCING</b>			
Transfers in (out)	(134,410)	(50,000)	(50,000)
<b>NET CHANGE EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>873,398</b>	<b>166,277</b>	<b>174,453</b>
<b>FUND BALANCE, JULY 1,</b>	<b>1,741,892</b>	<b>1,575,615</b>	<b>1,401,162</b>
<b>FUND BALANCE, JUNE 30,</b>	<b>\$2,615,290</b>	<b>\$1,741,892</b>	<b>\$1,575,615</b>

Prepared from Audited Financial Statements

**RSU No. 13**  
**COMPARATIVE BALANCE SHEET**  
**General Fund**  
**(As of June 30,)**

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>					
Cash and equivalents	\$1,345,289	\$1,634,939	\$1,497,111	\$1,259,895	\$1,206,843
Investments	0	9,000	0	0	0
Accounts receivable	0	0	125,788	13,998	63,902
Due from other governments	292,702	4,925	73,731	70,320	0
Prepaid items	31,634	68,783	0	116,466	119,589
Due from other funds	668,942	67,821	34,025	761,896	946,910
<b>TOTAL ASSETS</b>	<b>2,338,567</b>	<b>1,785,468</b>	<b>1,730,655</b>	<b>2,222,575</b>	<b>2,337,244</b>
<b>LIABILITIES</b>					
Accounts payable	296,626	190,071	498,307	55,122	22,255
Accrued payroll and benefits	2,035,194	2,219,738	0	0	200,000
Accrued compensated absences	0	65,204	0	0	0
Other payables	39,559	17,023	140,477	0	0
Due to other governments	10	0	247,856	170,166	0
Due to other funds	243,167	0	0	790,077	361,710
<b>TOTAL LIABILITIES</b>	<b>2,614,556</b>	<b>2,492,036</b>	<b>886,640</b>	<b>1,015,365</b>	<b>583,965</b>
<b>FUND EQUITY</b>					
Non-spendable	31,634	68,783	0	116,466	119,589
Restricted	0	0	0	0	0
Committed	0	0	0	938,000	610,102
Assigned	0	0	0	319,147	0
Unassigned	(307,623)	(775,351)	844,015	(166,403)	1,023,588
<b>TOTAL FUND EQUITY</b>	<b>(275,989)</b>	<b>(706,568)</b>	<b>844,015</b>	<b>1,207,210</b>	<b>1,753,279</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$2,338,567</b>	<b>\$1,785,468</b>	<b>\$1,730,655</b>	<b>\$2,222,575</b>	<b>\$2,337,244</b>

Prepared from Audited Financial Statements



**RSU No. 13**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES**  
**General Fund**  
**(For the Years Ended June 30,)**

	2016	2015	2014	2013	2012
<b>REVENUES</b>					
Local assessments	\$20,869,760	\$23,603,358	\$22,613,779	\$22,345,696	\$21,533,985
Intergovernmental	4,673,980	5,193,489	5,132,068	5,068,066	5,674,165
Charges for services	928,752	52,839	64,317	39,843	138,543
Miscellaneous	67,270	90,761	43,479	46,224	178,860
<b>TOTAL REVENUES</b>	<u>26,539,762</u>	<u>28,940,447</u>	<u>27,853,643</u>	<u>27,499,829</u>	<u>27,525,553</u>
<b>EXPENDITURES</b>					
Instruction	9,951,268	10,908,173	10,356,050	10,520,357	10,266,152
Special	4,291,235	4,109,377	3,844,661	4,140,215	3,863,954
Career & technical	836,685	951,336	948,450	932,004	905,254
Other	530,810	495,907	550,466	542,096	528,524
Student & staff support	2,351,881	2,477,864	2,555,723	2,557,774	2,569,689
System administration	560,491	687,611	859,308	579,676	535,076
School administration	1,303,862	1,436,183	1,524,689	1,486,956	1,512,884
Transportation	1,164,447	1,309,268	1,363,487	1,353,166	1,386,708
Facilities	2,773,682	3,077,918	3,342,340	3,404,277	3,349,714
Change in accrued comp absences	0	65,204	37,249	(200,000)	252,310
State of Maine on-behalf	1,471,647	1,899,213	1,699,913	1,863,163	1,853,557
Capital expenditures	0	470,256	0	0	0
Debt service	427,914	780,443	758,428	786,214	812,103
<b>TOTAL EXPENDITURES</b>	<u>25,663,922</u>	<u>28,668,753</u>	<u>27,840,764</u>	<u>27,965,898</u>	<u>27,835,925</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	875,840	271,694	12,879	(466,069)	(310,372)
<b>OTHER FINANCING</b>					
Lease proceeds	0	470,256	0	0	0
Transfers in	43,843	0	260,437	0	0
Transfers (out)	(258,000)	(256,850)	(636,511)	(80,000)	(280,000)
<b>TOTAL OTHER</b>	<u>(214,157)</u>	<u>213,406</u>	<u>(376,074)</u>	<u>(80,000)</u>	<u>(280,000)</u>
<b>NET CHANGES</b>	661,683	485,100	(363,195)	(546,069)	(590,372)
<b>FUND BALANCE, JULY 1</b>	<u>(937,672)</u>	<u>(1,191,668)</u>	<u>1,207,210</u>	<u>1,753,279</u>	<u>2,343,651</u>
<b>FUND BALANCE, JUNE 30</b>	<u>(\$275,989)</u>	<u>(\$706,568)</u>	<u>\$844,015</u>	<u>\$1,207,210</u>	<u>\$1,753,279</u>

Prepared from Audited Financial Statements

## **PROPERTY TAXATION**

The principal tax of the municipalities within the territory of the RSU is the tax on real and personal property. There is no limit as to rate or amount. A single tax applies for each fiscal year to the assessed value of the taxable real or personal property. Each Member Municipality's Tax Collector receives the tax commitment from the Member Municipality's Assessor, with assessed values as of April 1 of each year, after which time the tax bills are mailed. All taxes unpaid within 60 days after the due date will be subject to interest, at the rate established under Title 39, Section 186 of the Maine Revised Statutes.

### **Real Estate Taxes**

Collection of real estate taxes is ordinarily enforced in a municipality by the "tax lien" procedure as provided in the Maine Revised Statutes, to the collection of delinquent real estate taxes. Real Estate Tax Liens are recorded against the individual property at the County Registry of Deeds. This lien has priority over all mortgages, liens, attachments and encumbrances of any nature, subject to any paramount federal tax lien and subject to bankruptcy and insolvency laws. If the account is not satisfied within 18 months, the property becomes tax acquired and may be disposed of by a municipality.

### **Business Personal Property Taxes**

In 2006 the Maine Legislature enacted LD 2056, codified as Title 36, Chapter 105, Subchapter 4-C of the Maine Revised Statutes, which exempts from taxation, beginning with the April 1, 2008 tax year, various types of tangible business personal property subject to an allowance for depreciation and some specialty types of real property improvements. The exemption does not apply to: Office furniture; Lamps and lighting fixtures used to provide general purpose office or worker lighting; Property owned or used by public utilities and persons providing certain television/telecommunications services; Telecommunications personal property subject to the tax imposed by section 457 of Title 36; Gambling machines or devices and associated equipment; Property located at a retail sales facility unless such facility is more than 100,000 square feet in size and owned by a business whose Maine-based operations derive less than 30% of their total annual revenue from sales in the State.

Through the Business Equipment Tax Exemption Program ("BETE") the State will reimburse municipalities with respect to the lost property taxes associated with this new exemption. For the purposes of identifying the municipality's valuation for determining the local property tax rate, the value of all property made exempt by this legislation in the municipality must be considered part of that municipality's local valuation to the extent the municipality is being reimbursed for its lost property taxes by the State other than property located in, and the assessed value of which is retained in, a tax increment financing district.

The value of all property made exempt by this law in the municipality will also be considered part of that municipality's equalized State Valuation to the extent the municipality is being reimbursed for its lost property taxes by the State with an additional adjustment for property in a tax increment financing district.

The law provides some additional security for the municipal reimbursement system by funding the reimbursements described above directly from State Income Tax receipts before those receipts are deposited into the State's General Fund, rather than as an annual General Fund appropriation.

**Member Municipalities' Largest Taxpayers**

<u>Taxpayer</u>	<u>Business</u>	<u>Municipality</u>	<u>Assessed Value</u>	<u>Property Tax</u>
Dragon Prod. Co. LLC	Concrete Manf.	Thomaston	\$86,215,095	\$1,610,498
FMC Health and Nutrition	Chemicals	Rockland	30,555,500	680,777
Wal-Mart	Retail Sales	Thomaston	20,438,179	381,785
Lowe's	Retail Sales	Thomaston	16,725,621	312,435
Central Maine Power	Electricity Dist.	Rockland	13,095,700	291,772
O'Hara Corp	Fishing	Rockland	12,882,400	287,020
Douglas Dynamics	Plow Manf.	Rockland	12,094,700	269,470
Harbor Plaza Ltd	Shop Ctr	Rockland	10,872,100	242,230
Home Depot	Retail	Rockland	7,985,300	177,912
Lyman Morse	Boatbuilding	Thomaston	8,281,472	154,698
Maine Water Company	Utility	Rockland	6,929,400	154,387
Rockland Plaza Realty	Shopping Center	Rockland	6,803,400	152,181
Rockland Harbor Park	Commercial	Rockland	6,540,000	145,711
OSJ of Rockland LLC	Retail	Rockland	6,051,800	134,834
Thomaston Hotel LLC	Hotel	Thomaston	5,995,616	111,998
Greeley Assoc. LLC	Tractor Supply	Thomaston	4,803,753	89,734
Steamship Assoc. LLC	Cinema	Thomaston	4,487,089	83,819
Maine Water Company	Utility	Thomaston	4,157,312	77,659
Shepard Bros	Autos/Storage	Thomaston	4,005,972	74,832
Central Maine Power	Electricity Dist.	Thomaston	3,938,093	73,564

**Member Municipalities' Tax Levy and Collections**

**Town of Cushing, Maine**

<b>Fiscal Yr. End Dec. 31,</b>	<b>Equalized State Valuation (000)</b>	<b>Assessed Valuation (000)</b>	<b>Tax Rate (000)</b>	<b>Tax Levy (000)</b>	<b>Collections (after Supplements and Abatements)</b>	
					<b>Year End (000)</b>	<b>% of Levy</b>
2016	\$295,100	\$289,333	\$13.00	\$3,761	\$3,385	90.0%
2015	285,450	290,362	12.30	3,576	3,280	91.7%
2014	282,450	291,040	11.30	3,289	3,036	92.3%
2013	268,450	287,341	11.00	3,080	2,860	92.9%
2012	267,000	286,036	10.90	3,118	2,781	89.2%

**Town of Owls Head, Maine**

<b>Fiscal Yr. End June 30,</b>	<b>Equalized State Valuation (000)</b>	<b>Assessed Valuation (000)</b>	<b>Tax Rate (000)</b>	<b>Tax Levy (000)</b>	<b>Collections (after Supplements and Abatements)</b>	
					<b>Year End (000)</b>	<b>% of Levy</b>
2016	\$362,600	\$353,091	\$10.60	\$3,742	\$3,549	95.8%
2015	356,850	352,956	10.50	3,706	3,242	95.4 %
2014	340,000	353,872	9.60	3,397	3,251	95.0%
2013	333,300	351,021	9.75	3,422	NA	NA
2012	344,400	318,517	9.85	3,138	NA	NA

**City of Rockland, Maine**

Fiscal Yr. End June 30,	Equalized State Valuation (000)	Assessed Valuation (000)	Tax Rate (000)	Tax Levy (000)	Collections (after Supplements and Abatements)	
					Year End (000)	% of Levy
2016	\$765,100	\$780,949	\$21.20	\$16,556	\$15,503	93.5%
2015	755,550	780,079	20.16	15,726	14,666	93.2%
2014	751,700	787,749	19.52	15,377	14,211	92.4%
2013	765,100	780,492	19.42	15,157	13,993	92.3%
2012	765,100	772,796	18.78	14,513	13,611	93.7%

**Town of South Thomaston, Maine**

Fiscal Yr. End Dec. 31,	Equalized State Valuation (000)	Assessed Valuation (000)	Tax Rate (000)	Tax Levy (000)	Collections (after Supplements and Abatements)	
					Year End (000)	% of Levy
2016	\$249,500	\$267,406	\$13.18	\$3,524	\$3,256	92.4%
2015	248,500	269,209	12.78	3,440	3,186	92.6%
2014	247,500	267,733	12.46	3,336	3,070	92.0%
2013	251,050	266,315	12.38	3,297	3,024	91.7%
2012	280,000	263,719	12.06	3,180	2,948	92.7%

**Town of Thomaston, Maine**

Fiscal Yr. End June 30,	Equalized State Valuation (000)	Assessed Valuation (000)	Tax Rate (000)	Tax Levy (000)	Collections (after Supplements and Abatements)	
					Year End (000)	% of Levy
2016	\$358,300	\$396,446	\$18.03	\$7,148	\$6,623	92.7%
2015	334,050	398,498	16.64	6,631	6,085	91.8%
2014	327,700	380,668	16.74	6,373	5,832	91.5%
2013	323,450	375,048	15.80	6,301	5,753	91.3%
2012	324,500	373,117	15.98	5,962	5,489	92.1%

**RSU 13 REVENUES FROM THE STATE**

Fiscal Yr. End June 30,	General Revenue & Debt Service	State Agency Client	Medicaid Reimbursement	Adult Education	Total State Revenues
2016	\$2,911,618	\$31,697	\$130,455	\$39,794	\$3,113,564
2015	3,223,148	0	44,727	39,076	3,306,951
2014	3,386,287	24,210	37,194	38,048	3,485,739
2013	3,085,119	17,329	115,735	36,969	3,255,152
2012	3,676,434	52,805	29,505	35,674	3,794,418

## RSU 13's LOCAL COST BUDGET AND ASSESSMENTS

### The Member Municipalities' and Consolidated Equalized State Valuation

	<u>Cushing</u>		<u>Owls Head</u>		<u>Rockland</u>		<u>South Thomaston</u>		<u>Thomaston</u>		<u>RSU 13</u>	
	<u>ESV</u>	<u>%</u>	<u>ESV</u>	<u>%</u>	<u>ESV</u>	<u>%</u>	<u>ESV</u>	<u>%</u>	<u>ESV</u>	<u>%</u>	<u>ESV</u>	<u>%</u>
2017	\$299,900	14.8%	\$342,800	16.9%	\$767,600	37.8%	\$253,500	12.5%	\$365,100	18.0%	\$2,028,900	100.0%
2016	295,100	14.5%	362,600	17.9%	765,100	37.7%	249,500	12.3%	358,300	17.6%	2,030,600	100.0%
2015	285,450	14.4%	356,850	18.0%	755,550	38.2%	248,500	12.5%	334,050	16.9%	1,980,400	100.0%
2014	282,450	14.5%	340,000	17.4%	751,700	38.6%	247,500	12.7%	327,700	16.8%	1,949,350	100.0%
2013	268,450	13.8%	333,300	17.2%	765,100	39.4%	251,050	12.9%	323,450	16.7%	1,941,350	100.0%
2012	267,000	13.4%	344,400	17.2%	781,150	39.1%	280,000	14.0%	324,500	16.2%	1,997,050	100.0%
2011	264,100	13.0%	375,050	18.4%	792,050	38.9%	284,100	13.9%	323,100	15.9%	2,038,400	100.0%
2010	277,300	13.1%	395,450	18.6%	814,800	38.4%	309,400	14.6%	324,550	15.3%	2,121,500	100.0%
2009	283,900	13.8%	378,600	18.4%	799,750	38.8%	293,100	14.2%	303,400	14.7%	2,058,750	100.0%
2008	276,700	13.8%	380,450	19.0%	798,700	39.9%	267,000	13.3%	278,600	13.9%	2,001,450	100.0%

NOTE: "ESV" indicates equalized State Valuation. Dollar amounts are in thousands (\$/000).

### Cost Sharing in the RSU

The RSU's annual operating budget is funded by (i) the State's contribution to Essential Programs and Services ("EPS") costs, which are those costs that the State deems necessary to achieve certain learning results for K-12 education; (ii) the Member Municipalities' required local contributions to EPS costs; (iii) any additional local costs that exceed the RSU's local allocation for EPS costs; and (iv) miscellaneous revenues and fund balance carry forwards. With respect to (i) and (ii), see "THE BONDS – SOURCE OF PAYMENT AND REMEDIES – State Subsidy."

RSU 13 assesses the Member Municipalities annually based on each municipality's required local contribution to EPS costs and share of additional local costs that exceed EPS costs. The Member Municipalities share RSU 13's required local contributions to EPS costs according to a statutory formula (20-A M.R.S. § 15688(2), (3-A)), by which the RSU's total EPS allocation is first apportioned among the Member Municipalities based on their respective pupil counts. Each Member Municipality is responsible to pay the lesser of: (1) the municipality's share of EPS costs, so apportioned, or (2) the amount that the municipality would raise by applying the full value statewide education mill rate (as determined annually by the State) to its property fiscal capacity (which is currently defined as the average of the 3 most recent years of property valuation). The Member Municipalities share the RSU's additional local costs pursuant to RSU 13's cost sharing formula (the "Cost Sharing Formula") provided in the Reorganization Plan. The Cost Sharing Formula is based on 75% property valuation (a 3-year average) and 25% pupil count (a 3-year average). The cost sharing of additional local costs for 2017-2018 is as follows

<u>Member Municipality</u>	<u>2014-16 Eq State Val</u>	<u>% Total</u>	<u>Students (2014-16)</u>	<u>% Total</u>	<u>% of Cost Sharing (2016/2017)</u>
Cushing	\$287,666,667	14.48%	197.7	12.13%	13.9%
Owls Head	\$353,150,000	17.77%	153.2	9.40%	15.7%
Rockland	\$757,450,000	38.12%	741.3	45.48%	40.0%
So Thomaston	\$248,500,000	12.51%	174.7	10.72%	12.1%
Thomaston	<u>\$340,016,667</u>	<u>17.11%</u>	<u>363.2</u>	<u>22.28%</u>	<u>18.4%</u>
Totals	\$1,986,783,333	100.00%	1,630.0	100.00%	100.0%

## EPS Contributions

The required local contributions to EPS costs for the Member Municipalities for the past three years, as determined by the Maine Department of Education pursuant to the EPS Act, are as follows:

<u>Member Municipality</u>	<u>2017/2018</u>		<u>2016/2017</u>		<u>2015/2016</u>	
	<u>State</u>	<u>% of Total</u>	<u>Local</u>	<u>% of Total</u>	<u>State</u>	<u>% Total</u>
Cushing	\$0	0.00%	\$2,313,652	12.30%	\$144	0.00%
Owls Head	0	0.00%	1,691,583	9.00%	0	0.00%
Rockland	2,400,355	12.76%	6,203,516	32.99%	1,605,531	9.02%
South Thomaston	0	0.00%	1,903,031	10.12%	0	0.00%
Thomaston	<u>1,508,518</u>	<u>8.02%</u>	<u>2,784,736</u>	<u>14.81%</u>	<u>1,312,877</u>	<u>7.38%</u>
Totals	\$3,908,873	20.79%	\$14,896,517	79.21%	\$2,918,551	16.40%

## Member Municipalities Assessments

The local tax assessments for the Member Municipalities for the past three years; and, for comparison purposes, a table that provides respective enrollment, population, equalized State Valuation for the Member Municipalities are:

<u>Member Municipality</u>	<u>2017/2018</u>		<u>2016/2017</u>		<u>2015/2016</u>	
	<u>Assessment</u>	<u>% Total</u>	<u>Assessment</u>	<u>% Total</u>	<u>Assessment</u>	<u>% Total</u>
Cushing	\$3,223,104	14.78%	\$3,051,950	14.36%	\$3,066,521	14.63%
Owls Head	2,739,063	12.56%	2,707,998	12.74%	2,660,726	12.69%
Rockland	9,050,369	41.51%	8,836,342	41.57%	8,773,508	41.85%
South Thomaston	2,694,489	12.36%	2,788,185	13.12%	2,707,206	12.91%
Thomaston	<u>4,095,417</u>	<u>18.78%</u>	<u>3,870,086</u>	<u>18.21%</u>	<u>3,756,886</u>	<u>17.92%</u>
Totals	\$21,802,442	100.00%	\$21,254,561	100.00%	\$20,964,847	100.00%

## INDEBTEDNESS

### RSU STATUTORY LIMITATIONS

In accordance with Title 20-A, Section 1490(6) of the Maine Revised Statutes, “The aggregate principal amount of outstanding bonds or notes issued by a regional school unit for school construction purposes shall not exceed, at any one time, 10% of the total of the last preceding state valuation of all the municipalities within the regional school unit, plus an amount not to exceed 4% of that total regional school unit valuation set by the state board at the time of the initial approval of the school construction project.”

The consolidated 2017 equalized State Valuation for the Member Municipalities is \$2,020,900,000. The RSU’s 10% debt limitation is \$202,090,000. As of June 30, 2016, the RSU’s long-term debt outstanding is reported to be \$2,063,500 or 0.10% of the consolidated 2017 equalized State Valuation of the Member Municipalities.

### MEMBER MUNICIPALITIES STATUTORY LIMITATIONS

In accordance with Title 30-A, Section 5702 of the Maine Revised Statutes, “No municipality may incur debt which would cause its total debt outstanding at any time, exclusive of debt incurred for school purposes, for storm or sanitary sewer purposes, for energy facility purposes or for municipal airport purposes to exceed 7 1/2% of its last full state valuation, or any lower percentage or amount that a municipality may set. A municipality may incur debt for school purposes to an amount outstanding at any time not exceeding 10% of its last full state valuation, or any lower percentage or amount that a municipality may set, for storm and sanitary sewer purposes to an amount outstanding at any time not exceeding 7 1/2% of its last full state valuation, or any lower percentage or amount that a municipality may set, and for municipal airport and special district purposes to an amount outstanding at any time not exceeding 3% of its last full state valuation, or any lower percentage or amount that a municipality may set; provided, however, that in no event shall any municipality incur debt which would cause its total debt outstanding at any time to exceed 15% of its last full state valuation, or any lower percentage or amount that a municipality may set.” Title 30-A, Section 5703 of the Maine Revised Statutes, provides that the limitations on municipal debt contained in Section 5702 do not apply “... to any funds received in trust by any municipality, any loan which has been funded or refunded, notes issued in anticipation of federal or state aid or revenue sharing money, tax anticipation loans, notes maturing in the current municipal year, indebtedness of entities other than municipalities, indebtedness of any municipality to the Maine School Building Authority, debt issued under Chapter 213 and Title 10, Chapter 110, Subchapter IV, obligations payable from revenues of the current municipal year from other revenues previously appropriated by or committed to the municipality, and the state reimbursable portion of school debt.”

Although the indebtedness of the Bonds are the indebtedness of the RSU, and not directly of the Member Municipalities, the tax base of the RSU is the same as the tax base of the Member Municipalities. Therefore, the current indebtedness of the Member Municipalities is included in the below discussions.

	<u>FY End</u>	<u>2017 Eq State Val</u>	<u>15% Debt Limit</u>	<u>Debt (most recent FY)</u>	<u>Debt as % Eq State Val</u>
Cushing	Dec. 31	\$299,900,000	\$44,985,000	\$0	0.00%
Owls Head	June 30	342,800,000	51,420,000	321,029	0.09%
Rockland	June 30	767,600,000	115,140,000	11,585,588	1.51%
So Thomaston	Dec. 31	253,500,000	38,025,000	278,696	0.11%
Thomaston	June 30	<u>365,100,000</u>	<u>54,765,000</u>	<u>5,049,772</u>	<u>1.38%</u>
Totals		\$2,028,900,000	\$304,335,000	\$17,235,085	0.85%

## RSU DEBT SUMMARY

<u>Series</u>	<u>Debt Issues</u>		<u>Balance as of</u>		
	<u>Amount Issued</u>	<u>Date of Final Maturity</u>	<u>06/30/16 (Audited)</u>	<u>06/30/17 (Projected)</u>	<u>06/30/18 (Projected)</u>
1997	\$2,760,000	11/01/17	\$276,000	\$138,000	\$0
1998	4,800,000	11/01/18	720,000	480,000	240,000
2002	2,225,000	11/01/21	667,500	556,250	445,000
2013	500,000	11/01/23	400,000	350,000	300,000
2016 <sup>(1)</sup>	8,020,000	06/01/36	0	8,020,000	7,695,000
2017	576,697	07/01/27	0	0	403,688
	Sub-totals		2,063,500	9,544,250	9,083,688
2017A	8,100,000	10/01/37	0	0	8,100,000
2017B	13,125,000	10/01/38	0	0	13,125,000
2017C	798,000	09/15/27			798,000
	Totals		\$2,063,500	\$9,544,250	\$31,106,688

NOTE: <sup>(1)</sup> The 2016 issue are Lease Revenue Custodial Receipts, subject to annual appropriation and, for Maine statutory purposes, is not classified as “debt”. However, due to the size and length it is included in the above table.

### Projected Debt Service Requirements of the RSU

<b>Fiscal Yr. End June 30,</b>	<b>Current Debt</b>			<b>2017 Bonds</b>			<b>Projected Total Debt</b>
	<b>Principal</b>	<b>Interest</b>	<b>Total Debt</b>	<b>Sr A Total</b>	<b>Pro-forma</b>		
					<b>Sr B Total</b>	<b>2017 Total</b>	
<b>2017</b>	\$539,250	\$253,059	\$792,309	\$0	\$0	\$0	\$792,309
<b>2018</b>	864,250	277,832	1,142,082	159,701	257,599	417,299	1,559,382
<b>2019</b>	776,619	260,867	1,037,486	709,358	548,731	1,258,089	2,295,575
<b>2020</b>	546,619	245,688	792,307	691,133	1,187,356	1,878,489	2,670,795
<b>2021</b>	556,619	230,093	786,712	670,883	1,154,606	1,825,489	2,612,201
<b>2022</b>	561,619	214,168	775,787	650,633	1,121,856	1,772,489	2,548,276
<b>2023</b>	460,369	201,525	661,894	634,433	1,089,106	1,723,539	2,385,433
<b>2024</b>	470,369	190,935	661,304	618,233	1,056,356	1,674,589	2,335,893
<b>2025</b>	430,369	180,650	611,019	597,983	1,023,606	1,621,589	2,232,608
<b>2026</b>	440,369	170,705	611,074	577,733	990,856	1,568,589	2,179,663
<b>2027</b>	450,369	160,505	610,874	557,483	958,106	1,515,589	2,126,463
<b>2028</b>	460,369	150,050	610,419	537,233	925,356	1,462,589	2,073,008
<b>2029</b>	435,000	137,450	572,450	521,033	892,606	1,413,639	1,986,089
<b>2030</b>	445,000	124,400	569,400	508,883	863,131	1,372,014	1,941,414
<b>2031</b>	460,000	111,050	571,050	496,733	836,931	1,333,664	1,904,714
<b>2032</b>	480,000	92,650	572,650	484,583	814,006	1,298,589	1,871,239
<b>2033</b>	500,000	73,450	573,450	472,433	794,193	1,266,625	1,840,075
<b>2034</b>	515,000	53,450	568,450	460,283	773,969	1,234,252	1,802,702
<b>2035</b>	540,000	32,850	572,850	448,133	758,175	1,206,308	1,779,158
<b>2036</b>	555,000	16,650	571,650	435,983	736,890	1,172,873	1,744,523
<b>2037</b>	0	0	0	423,731	715,275	1,139,006	1,139,006
<b>2038</b>	0	0	0	411,278	693,330	1,104,608	1,104,608
<b>2039</b>	0	0	0	0	671,138	671,138	671,138
<b>Totals</b>	\$10,487,190	\$3,178,027	\$13,665,217	\$11,067,869	\$18,863,181	\$29,931,050	\$43,596,265



**Projected Annual Principal Payments of the RSU**

<b>FY end June 30,</b>	<b>MMBB SRRF 2017</b>	<b>2016 Custodial Receipts</b>	<b>MMBB 2013</b>	<b>MMBB 2002 (MSAD 50)</b>	<b>MMBB 1998 (MSAD 5)</b>	<b>MMBB 1997 (MSAD 50)</b>	<b>Sub-total Prior Debt</b>	<b>2017 Sr A</b>	<b>2017 Sr B</b>	<b>QZAB 2017 Sr C</b>	<b>Total Debt</b>
2017	\$0	\$0	\$50,000	\$111,250	\$240,000	\$138,000	\$539,250	\$0	\$0	\$0	\$539,250
2018	0	325,000	50,000	111,250	240,000	138,000	864,250	0	0	0	864,250
2019	40,369	335,000	50,000	111,250	240,000		776,619	405,000	0	53,200	1,234,819
2020	40,369	345,000	50,000	111,250			546,619	405,000	655,000	53,200	1,659,819
2021	40,369	355,000	50,000	111,250			556,619	405,000	655,000	53,200	1,669,819
2022	40,369	360,000	50,000	111,250			561,619	405,000	655,000	53,200	1,674,819
2023	40,369	370,000	50,000				460,369	405,000	655,000	53,200	1,573,569
2024	40,369	380,000	50,000				470,369	405,000	655,000	53,200	1,583,569
2025	40,369	390,000					430,369	405,000	655,000	53,200	1,543,569
2026	40,369	400,000					440,369	405,000	655,000	53,200	1,553,569
2027	40,369	410,000					450,369	405,000	655,000	53,200	1,563,569
2028	40,369	420,000					460,369	405,000	655,000	53,200	1,573,569
2029		435,000					435,000	405,000	655,000	53,200	1,548,200
2030		445,000					445,000	405,000	655,000	53,200	1,558,200
2031		460,000					460,000	405,000	655,000	53,200	1,573,200
2032		480,000					480,000	405,000	655,000	53,200	1,593,200
2033		500,000					500,000	405,000	655,000	53,200	1,613,200
2034		515,000					515,000	405,000	655,000		1,575,000
2035		540,000					540,000	405,000	660,000		1,605,000
2036		555,000					555,000	405,000	660,000		1,620,000
2037							0	405,000	660,000		1,065,000
2038								405,000	660,000		1,065,000
2039									660,000		660,000
	<b>\$403,688</b>	<b>\$8,020,000</b>	<b>\$400,000</b>	<b>\$667,500</b>	<b>\$720,000</b>	<b>\$276,000</b>	<b>\$10,487,188</b>	<b>\$8,100,000</b>	<b>\$13,125,000</b>	<b>\$798,000</b>	<b>\$32,510,188</b>

**MEMBER MUNICIPALITIES DEBT SUMMARY**

	<b>Debt (most recent FY)</b>	<b>2017 Eq State Val</b>	<b>Debt as % Eq State Val</b>	<b>Population (2010 Census)</b>	<b>Debt per Capita</b>
Cushing	\$0	\$299,900,000	0.00%	1,534	\$0.00
Owls Head	321,029	342,800,000	0.09%	1,580	203.18
Rockland	11,585,588	767,600,000	1.51%	7,297	1,587.72
So Thomaston	278,696	253,500,000	0.11%	1,558	278.88
Thomaston	<u>5,049,772</u>	<u>365,100,000</u>	<u>1.38%</u>	<u>2,781</u>	<u>1,815.81</u>
RSU 13	\$17,235,085	\$2,028,900,000	0.85%	14,750	\$1,168.48
Knox County	\$511,454 <sup>(1)</sup>	\$7,219,800,000	0.007%	14,750	\$34.67
Region 8	6,653,240 <sup>(2)</sup>	8,457,900,000	0.328%	14,750	451.08

NOTE: <sup>(1)</sup> The Member Municipalities are subject to an annual assessment of its proportional share of the County of Knox’s (the “County”) expenses, including debt repayment, as determined by the percentage of the Member Municipalities’ consolidated Equalized State Valuation of \$2,028,900,000 of the County’s Equalized State Valuation of \$7,219,800,000. The Member Municipalities’ share is 28.1%, or \$511,454, of the County’s \$1,820,000 long-term debt outstanding as of June 30, 2016.

<sup>(2)</sup> The RSU is subject to an annual assessment of its proportional share of the Vocational Region 8, Mid-Coast School of Technology (“Region 8”) expenses, including debt repayment. The RSU’s share of Region 8’s 2016/2017 \$809,241 assessment was 26.8% of the total assessment of \$3,040,778, or \$6,653,240, of the Region 8 proposed \$25,000,000 2017 Bonds expected to be issued on August 30, 2016.

**OVERLAPPING DEBT**

The RSU does not have any obligations for which it is responsible for on an overlapping basis.

**CONTINGENT DEBT**

The RSU does not have any obligations for which it is responsible for on a contingent basis.

**FUTURE FINANCING**

Following the issuance of the Bonds of this financing, the RSU has \$798,303 in authorized but unissued debt. The RSU anticipates issuing \$798,000 in taxable tax credit qualified zone academy bonds no later than December 31, 2017. See “THE BONDS – AUTHORIZATION AND PURPOSE” herein.

**RETIREMENT**

**A. DEFINED BENEFIT PENSION PLAN – TEACHERS GROUP**

The RSU is a “participating local RSU” pursuant to the Consolidated Plan for Participating Local RSUs (“CPPLD”) (the “PLD Plan”) and teaching-certified employees of the RSU are provided with pensions through the Maine Public Employees Retirement System State Employee and Teacher Plan (the “SET Plan”) and contributes to Maine Public Employees Retirement System’s (“MainePERS”), successor to the Maine State Retirement System (“MSRS”), a cost-sharing multiple-employer defined benefit pension plan. The MSRS was established in 1942, and effective September 20, 2007, by virtue of Chapter 58 of the Public Laws of 2007, MSRS was renamed MainePERS as successor to the MSRS. MainePERS was established and is administered under the Maine State Retirement System Laws, Title 5, Chapters 421,

423 and 425 of the Maine Revised Statutes. MainePERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to its members and which include employees of participating local RSUs. Information concerning the pension plan benefit obligation for public teachers is available from MSRS, which issues a publicly available financial report. This report may be obtained by writing the Maine State Retirement System, 46 State House Station, Augusta, ME 04333-0046 or by calling 1 (800) 451-9800.

**Benefits Provided**

Maine PERS provides defined retirement benefits based on members’ average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit. In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For SETP members, normal retirement age is 60, 62, or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. MainePERS also provides disability and death benefits, which are established by statute.

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

**Contributions**

Maine statute requires the State to contribute a portion of the Region’s contractually required contributions. Employees are required to contribute 7.65% of their annual pay. The RSU’s payroll for members of the SET Plan for the year ended June 30, 2016 was approximately \$1,174,943. The RSU’s contractually required contribution rate for the year ended June 30, 2016, was 13.38% of annual payroll of which 3.36% of payroll was required from the RSU and 10.02% was required from the State. Contributions to the pension plan from the RSU were \$418,320 for the year ended June 30, 2016.

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

At June 30, 2016, the RSU reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the RSU. The amount recognized by the RSU as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the RSU were as follows:

RSU’s proportionate share of the net pension liability:	\$791,183
State’s proportionate share of the net pension liability:	<u>14,805,141</u>
<b>Total:</b>	<b>\$15,596,324</b>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The RSU’s proportion of the net pension liability was based on a projection of the RSU’s long-term share of contributions to the pension plan relative to the projected contributions of all participating RSUs and the State, actuarially determined. At June 30, 2015, the RSU’s proportion was 0.058601%.

For the year ended June 30, 2016, the RSU recognized pension expense of \$658,638 and revenue of \$673,178 for support provided by the State. At June 30, 2016, the RSU reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience:		\$5,493
Changes of Assumptions:	\$21,800	-
Net difference between projected and actual earnings on pension investments:	167,414	203,190
Changes in proportion and differences between contributions and proportionate share of contributions:	133,026	93,978
The RSU's contributions subsequent to the measurement date:	494,819	-
<b>Total:</b>	<b>\$817,059</b>	<b>\$302,661</b>

An amount of \$494,819 is reported as deferred outflows of resources related to pensions resulting from RSU contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b><u>Year ended June 30,</u></b>	<b><u>SET Plan</u></b>
2017	\$78,423
2018	(74,821)
2019	(25,876)
2020	41,853
2021	-
Thereafter	-

### **Actuarial Methods and Assumptions**

The collective total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2015 and 2014 using methodology and assumptions detailed in "APPENDIX A – REGIONAL SCHOOL UNIT NO. 13, ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2016" pages 41 et seq, herein.

### **B. DEFERRED COMPENSATION PLAN**

The RSU offers its employees a deferred compensation plan created in accordance with Section 403 of the Internal Revenue Code, as amended. The plan, available to all RSU employees as part of a collective bargaining agreement, permits participants 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. In applying the provisions of Governmental Accounting Standards Board Statement ("GASB") No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the Town determined that, effective July 1, 1997, it was no longer required to record assets and associated liability of the plan.

### **C. OTHER POST EMPLOYMENT BENEFITS**

The Governmental Accounting Standards Board ("GASB") recently promulgated its Statement 45 which addressed the reporting and disclosure requirements for other post employment benefits ("OPEB"). GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits*

*Other Than Pensions*, (“GASB 45”) was implemented, as required, by the RSU for the year ended June 30, 2009. GASB 45 requires that the long-term cost of retirement health care and obligations for other postemployment benefits be determined on an actuarial basis and reported similar to pension plans.

The RSU’s health insurance carrier is Anthem through the Maine Education Association (“MEA”) Benefits Trust for its active employees. The RSU is not obligated to, and does not, provide its retired employees with health care or other post employment benefits and, therefore, has no OPEB obligation or liability.

## **ENVIRONMENTAL MATTERS**

Securities and Exchange Commission Regulation 229.103 (the “Regulation”) requires that issuers subject to the disclosure requirements of the Securities Exchange Act of 1934 disclose, among other things, any material pending legal proceedings, including without limitation, legal proceedings involving environmental issues. That Regulation states that no information need be given with respect to any proceeding that involves primarily a claim for damages if the amount involved, exclusive of interest and costs, does not exceed ten percent (10%) of the current assets of the issuer, and, if a governmental authority is a party to such proceeding and such proceeding involves potential monetary sanctions, unless the issuer reasonably believes that such proceeding will result in no monetary sanctions, or in monetary sanctions, exclusive of interest and costs, of less than \$100,000. Although the RSU, as an issuer of municipal securities, is not subject to the provisions of the Regulation or the Securities Exchange Act of 1934, the RSU is voluntarily making the disclosure required by the Regulation with respect to environmental liabilities: The RSU is not subject to any pending legal proceedings involving environmental matters that would require disclosure under the Regulation were the RSU subject to its provisions.

## **LITIGATION**

In the opinion of RSU officials there is no litigation pending against the RSU which, either individually or in the aggregate, would result in judgments that would have a materially adverse effect on the RSU’s financial position or its ability to meet its debt service obligations.

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**APPENDIX A**

**REGIONAL SCHOOL UNIT NO. 13  
ANNUAL FINANCIAL STATEMENTS  
AND SUPPORTING SCHEDULES  
FOR THE  
YEAR ENDED JUNE 30, 2016**

**(With Report of Independent Auditors Thereon)**

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Federal Compliance Audit

Regional School Unit No. 13

June 30, 2016



*Proven Expertise and Integrity*

REGIONAL SCHOOL UNIT NO. 13

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JUNE 30, 2016

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*Proven Expertise and Integrity*

INDEPENDENT AUDITORS' REPORT

Board of Directors  
Regional School Unit No. 13  
Rockland, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Regional School Unit No. 13, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Regional School Unit No. 13's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Regional School Unit No. 13 as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension information on pages 4 through 11 and 49 through 51 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 Regional School Unit No. 13's basic financial statements. The 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Schedule of Departmental Operations – General Fund, combining and individual nonmajor fund financial statements, capital asset schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Departmental Operations – General Fund, combining and individual nonmajor fund financial statements, capital asset schedules and the schedule of expenditures of federal awards 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 February 6, 2017, on our consideration of Regional School Unit No. 13'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 Regional School Unit No. 13's internal control over financial reporting and compliance.

*RHR Smith & Company*

Buxton, Maine  
February 6, 2017

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

**(UNAUDITED)**

The following management's discussion and analysis of Regional School Unit No. 13's financial performance provides an overview of the Unit's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the Unit's financial statements.

**Financial Statement Overview**

Regional School Unit No. 13's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule and pension information, 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 Unit'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 Unit'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 Unit's activities. The type of activity presented for the Unit is:

- *Governmental activities* – The activities in this section are mostly supported by support from the Units and intergovernmental revenues (federal and state grants). All of the Unit's basic services are reported in governmental activities, which include instruction, special education, student and staff support, administration, operations and maintenance and transportation.

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

*Governmental funds:* All of the basic services provided by the Unit 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 Unit's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the Unit.

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 funds financial statement.

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

The general fund is the only fund for which the Unit 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.

*Fiduciary Funds:* These funds are used to account for resources held for the benefit of parties outside the Unit. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Unit's own programs. The accounting used for fiduciary funds are much like that of proprietary funds. They use the accrual basis of accounting.

### **Notes to the Financial Statements**

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

### **Required Supplementary Information**

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

### **Other Supplementary Information**

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

### **Government-Wide Financial Analysis**

Our analysis below focuses on the net position, and changes in net position of the Unit's governmental activities. The Unit's total net position for governmental activities increased by \$797,148 from \$12,790,012 to a balance of \$13,587,160 at year end.

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 - for the governmental activities increased to a deficit balance of \$1,005,457 at the end of the fiscal year.

**Table 1**  
**Regional School Unit No. 13**  
**Net Position**  
**June 30,**

	<b>2016</b>	<b>2015 (Restated)</b>
<b>Assets:</b>		
Current Assets	\$ 4,451,813	\$ 4,128,823
Capital Assets	14,996,179	15,641,580
Total Assets	19,447,992	19,770,403
<b>Deferred Outflows of Resources:</b>		
Deferred Outflows Related to Pensions	817,059	760,309
Total Deferred Outflows of Resources	817,059	760,309
<b>Liabilities:</b>		
Current Liabilities	3,745,209	3,588,418
Long-term Debt Outstanding	2,624,392	3,834,549
Total Liabilities	6,369,601	7,422,967
<b>Deferred Inflows of Resources:</b>		
Prepaid Meals	5,629	-
Deferred Inflows Related to Pensions	302,661	317,733
Total Deferred Inflows of Resources	308,290	317,733
<b>Net Position:</b>		
Net Investment in Capital Assets	12,342,182	12,366,995
Restricted : Special Revenue Funds	173,142	81,400
Capital Projects Funds	-	18,815
Permanent Funds	2,077,293	2,104,694
Unrestricted (Deficit)	(1,005,457)	(1,781,892)
Total Net Position	\$ 13,587,160	\$ 12,790,012

**Table 2**  
**Regional School Unit No. 13**  
**Change in Net Position**  
**For The Years Ended June 30,**

	<u>2016</u>	<u>2015</u>
<b>Revenues:</b>		
<i>Program Revenues:</i>		
Charges for services	\$ 1,109,726	\$ 52,839
Operating grants & contributions	4,780,136	4,942,533
<i>General Revenues:</i>		
Support from towns	20,869,760	23,603,358
Grants & contributions not restricted to specific programs	3,202,333	3,294,276
Miscellaneous	228,279	579,937
Total Revenues	<u>30,190,234</u>	<u>32,472,943</u>
<b>Expenses:</b>		
Instruction	10,435,647	10,756,593
Special education	4,288,193	4,109,377
Career & technical	836,685	951,336
Other instructional	530,810	495,907
Student & staff support	2,309,933	2,477,864
System administration	554,407	427,894
School administration	1,293,815	1,436,183
Transportation	1,102,468	1,292,885
Facilities	2,915,534	3,234,436
Interest on long-term debt	68,716	135,693
Change in accrued compensated absences	(140,843)	80,827
State of Maine on-behalf payments	2,144,825	2,556,920
Program expenses	3,052,896	3,428,563
Total Expenses	<u>29,393,086</u>	<u>31,384,478</u>
Change in Net Position	797,148	1,088,465
Net Position - July 1, Restated	<u>12,790,012</u>	<u>11,701,547</u>
Net Position - June 30	<u>\$ 13,587,160</u>	<u>\$ 12,790,012</u>

## Revenues and Expenses

Revenues for the Unit's governmental activities decreased by 7.03%, while total expenses decreased by 6.35%. Most of the Unit's revenues and expenses were consistent with the previous year with minor increases or decreases.

### Financial Analysis of the Unit's Fund Statements

*Governmental funds:* The financial reporting focus of the Unit'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 Unit'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**  
**Regional School Unit No. 13**  
**Fund Balances - Governmental Funds**  
**June 30,**

	2016	2015 (Restated)
Major Funds:		
General Fund:		
Nonspendable	\$ 31,634	\$ 68,783
Unassigned	(307,623)	(1,006,455)
Total Major Funds	\$ (275,989)	\$ (937,672)
Nonmajor Funds:		
Special Revenue Funds:		
Nonspendable	\$ 26,955	\$ 22,226
Restricted	173,142	81,400
Committed	95,214	50,554
Assigned	3,306	3,388
Unassigned	(7,952)	(22,226)
Capital Projects Funds:		
Restricted	-	18,815
Unassigned	(104,212)	-
Permanent Funds:		
Restricted	2,077,293	2,104,694
Total Nonmajor Funds	\$ 2,263,746	\$ 2,258,851

The general fund total fund balance increased by \$661,683 from the prior fiscal year. The nonmajor fund balances increased by \$4,895 from the prior fiscal year.

## Budgetary Highlights

There was no significant difference between the original and final budget for the general fund.

The general fund actual revenues were over budget by \$246,322. This was mainly the result of revenues received from St. George.

The general fund actual expenditures were under budget by \$790,361. All expenditure categories were under budget.

## Capital Asset and Debt Administration

### Capital Assets

As of June 30, 2016, the net book value of capital assets recorded by the Unit decreased by \$645,401 from the prior fiscal year. This decrease was due to capital additions of \$210,278 less current year depreciation expense of \$855,679.

**Table 4**  
**Regional School Unit No. 13**  
**Capital Assets (Net of Depreciation)**  
**June 30,**

	<u>2016</u>	<u>2015</u>
Land	\$ 211,479	\$ 211,479
Art work	67,000	67,000
Land improvements	253,646	294,593
Buildings	12,687,428	13,134,820
Machinery & equipment	1,149,809	1,397,127
Vehicles	<u>626,817</u>	<u>536,561</u>
Total	<u>\$ 14,996,179</u>	<u>\$ 15,641,580</u>

### Debt

At June 30, 2016, the Unit had an obligation to pay \$2.06 million in bonds outstanding versus \$2.6 million last year. Other obligations include capital leases payable, accrued sick and vacation time and net pension liability. Refer to Note 5 of Notes to Financial Statements for more detailed information.

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

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

The FY 2017 budget could be impacted by reductions in state subsidy as a result of reduced state revenue projections. Curtailments in the state's biennial budget may serve to increase required local contributions and/or reductions in Unit spending.

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

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Unit's finances and to show the Unit's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Unit's Finance Department at 28 Lincoln Street, Rockland, Maine 04841.

## REGIONAL SCHOOL UNIT NO. 13

STATEMENT OF NET POSITION  
JUNE 30, 2016

	Governmental Activities
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 1,477,865
Investments	1,944,717
Accounts receivable (net of allowance for uncollectibles)	16,519
Due from other governments	954,123
Inventory	26,955
Prepaid items	31,634
Total current assets	<u>4,451,813</u>
Noncurrent assets:	
Capital assets:	
Land and other assets not being depreciated	278,479
Depreciable assets, net of accumulated depreciation	14,717,700
Total noncurrent assets	<u>14,996,179</u>
<b>TOTAL ASSETS</b>	<u>19,447,992</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	817,059
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>817,059</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 20,265,051</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 383,664
Accrued payroll and benefits	2,035,194
Other payables	39,559
Due to other governments	10
Current portion of long-term obligations	1,286,782
Total current liabilities	<u>3,745,209</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Bonds payable	1,524,250
Capital leases payable	387,382
Net pension liability	712,760
Total noncurrent liabilities	<u>2,624,392</u>
<b>TOTAL LIABILITIES</b>	<u>6,369,601</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Prepaid meals	5,629
Deferred inflows related to pensions	302,661
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>308,290</u>
<b>NET POSITION</b>	
Net investment in capital assets	12,342,182
Restricted: Special revenue funds	173,142
Permanent funds	2,077,293
Unrestricted (deficit)	(1,005,457)
<b>TOTAL NET POSITION</b>	<u>13,587,160</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 20,265,051</u>

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



## REGIONAL SCHOOL UNIT NO. 13

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Total Governmental Activities
Governmental activities:					
Instruction	\$ 10,435,647	\$ 688,274	\$ -	\$ -	\$ (9,747,373)
Special education	4,288,193	214,190	-	-	(4,074,003)
Career & technical	836,685	-	-	-	(836,685)
Other instructional	530,810	17,190	-	-	(513,620)
Student & staff support	2,309,933	-	-	-	(2,309,933)
System administration	554,407	-	-	-	(554,407)
School administration	1,293,815	-	-	-	(1,293,815)
Transportation	1,102,468	9,098	-	-	(1,093,370)
Facilities	2,915,534	-	142,337	-	(2,773,197)
Interest on long-term debt	68,716	-	-	-	(68,716)
Change in accrued compensated absences	(140,843)	-	-	-	140,843
State of Maine on-behalf payments	2,144,825	-	2,144,825	-	-
Program expenses	3,052,896	180,974	2,492,974	-	(378,948)
Total government	<u>\$ 29,393,086</u>	<u>\$ 1,109,726</u>	<u>\$ 4,780,136</u>	<u>\$ -</u>	<u>(23,503,224)</u>

## STATEMENT B (CONTINUED)

## REGIONAL SCHOOL UNIT NO. 13

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Governmental Activities</u>
Changes in net position:	
Net (expense) revenue	<u>(23,503,224)</u>
General revenues:	
Support from towns	20,869,760
Grants and contributions not restricted to specific programs	3,202,333
Miscellaneous	228,279
Total general revenues	<u>24,300,372</u>
Change in net position	797,148
NET POSITION - JULY 1, RESTATED	<u>12,790,012</u>
NET POSITION - JUNE 30	<u><u>\$ 13,587,160</u></u>

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

## STATEMENT C

## REGIONAL SCHOOL UNIT NO. 13

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,345,289	\$ 132,576	\$ 1,477,865
Investments	-	1,944,717	1,944,717
Accounts receivable (net of allowance for uncollectibles)	-	16,519	16,519
Due from other governments	292,702	661,421	954,123
Inventory	-	26,955	26,955
Prepaid items	31,634	-	31,634
Due from other funds	668,942	243,167	912,109
<b>TOTAL ASSETS</b>	<b><u>\$ 2,338,567</u></b>	<b><u>\$ 3,025,355</u></b>	<b><u>\$ 5,363,922</u></b>
<b>LIABILITIES</b>			
Accounts payable	\$ 296,626	\$ 87,038	\$ 383,664
Accrued payroll and benefits	2,035,194	-	2,035,194
Other payables	39,559	-	39,559
Due to other governments	10	-	10
Due to other funds	243,167	668,942	912,109
<b>TOTAL LIABILITIES</b>	<b><u>2,614,556</u></b>	<b><u>755,980</u></b>	<b><u>3,370,536</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Prepaid meals	-	5,629	5,629
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b><u>-</u></b>	<b><u>5,629</u></b>	<b><u>5,629</u></b>
<b>FUND BALANCES (DEFICITS)</b>			
Nonspendable	31,634	26,955	58,589
Restricted	-	2,250,435	2,250,435
Committed	-	95,214	95,214
Assigned	-	3,306	3,306
Unassigned	(307,623)	(112,164)	(419,787)
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b><u>(275,989)</u></b>	<b><u>2,263,746</u></b>	<b><u>1,987,757</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)</b>	<b><u>\$ 2,338,567</u></b>	<b><u>\$ 3,025,355</u></b>	<b><u>\$ 5,363,922</u></b>

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

## REGIONAL SCHOOL UNIT NO. 13

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

	Total Governmental Funds
Total Fund Balances	\$ 1,987,757
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	14,996,179
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	817,059
Long-term liabilities shown below, are not due and payable in the current period and therefore are not reported in the funds shown above:	
Bonds payable	(2,063,500)
Capital leases payable	(590,497)
Accrued compensated absences	(465,994)
Net pension liability	(791,183)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	(302,661)
Net position of governmental activities	\$ 13,587,160

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

## STATEMENT E

## REGIONAL SCHOOL UNIT NO. 13

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

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Support from towns	\$ 20,869,760	\$ -	\$ 20,869,760
Intergovernmental revenues	4,673,980	2,492,974	7,166,954
Charges for services	928,752	180,974	1,109,726
Miscellaneous	67,270	161,009	228,279
<b>TOTAL REVENUES</b>	<u>26,539,762</u>	<u>2,834,957</u>	<u>29,374,719</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	9,951,268	-	9,951,268
Special education	4,291,235	-	4,291,235
Career & technical	836,685	-	836,685
Other instructional	530,810	-	530,810
Student & staff support	2,351,881	-	2,351,881
System administration	560,491	-	560,491
School administration	1,303,862	-	1,303,862
Transportation	1,164,447	-	1,164,447
Facilities	2,773,682	-	2,773,682
State of Maine on-behalf payments	1,471,647	-	1,471,647
Program expenses	-	3,044,219	3,044,219
Debt service:			
Principal	359,198	-	359,198
Interest	68,716	-	68,716
<b>TOTAL EXPENDITURES</b>	<u>25,663,922</u>	<u>3,044,219</u>	<u>28,708,141</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>875,840</u>	<u>(209,262)</u>	<u>666,578</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	43,843	258,000	301,843
Transfers (out)	(258,000)	(43,843)	(301,843)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(214,157)</u>	<u>214,157</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES (DEFICITS)</b>	661,683	4,895	666,578
<b>FUND BALANCES (DEFICITS) - JULY 1, RESTATED</b>	<u>(937,672)</u>	<u>2,258,851</u>	<u>1,321,179</u>
<b>FUND BALANCES (DEFICITS) - JUNE 30</b>	<u>\$ (275,989)</u>	<u>\$ 2,263,746</u>	<u>\$ 1,987,757</u>

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

## REGIONAL SCHOOL UNIT NO. 13

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

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 666,578</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	210,278
Depreciation expense	<u>(855,679)</u>
	<u>(645,401)</u>
Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	<u>56,750</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position	<u>830,866</u>
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position	<u>(210,278)</u>
Deferred inflows of resources are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	<u>15,072</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	140,843
Net pension liability	<u>(57,282)</u>
	<u>83,561</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 797,148</u></u>

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

## REGIONAL SCHOOL UNIT NO. 13

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
JUNE 30, 2016

	<u>Agency Funds</u>	<u>Student Activities</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 155,774	
Due from other governments		<u>10</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 155,784</u></b>	
<b>LIABILITIES</b>		
Accounts payable	\$ 10	
Deposits held for others		<u>155,774</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 155,784</u></b>	

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

REGIONAL SCHOOL UNIT NO. 13

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting Entity**

The Unit was incorporated under the laws of the State of Maine as of July 1, 2009. The Unit was formed through the merger of Maine School Administrative District No. 5 and Maine School Administrative District No. 50. The Unit provides education services.

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

**Implementation of New Accounting Standards**

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

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

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

Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*". The objective of this Statement is to identify-in the context of the current governmental financial reporting environment-the hierarchy of



REGIONAL SCHOOL UNIT NO. 13

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. Management has determined the impact of this Statement is not material to the financial statements.

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

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

**Government-Wide and Fund Financial Statements**

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

Both the government-wide and fund financial statements categorize primary activities as governmental. All activities of the Unit are categorized as governmental.

In the government-wide Statement of Net Position, the governmental activities column is (a) presented on a consolidated basis by column, and (b) is 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 Unit's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The Unit first utilizes restricted resources to finance qualifying activities.

REGIONAL SCHOOL UNIT NO. 13

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide Statement of Activities reports both the gross and net cost of each of the Unit's functions (instruction, operations and maintenance, etc.). The functions are also supported by general government revenues (support from towns, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. 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 Unit does not allocate indirect costs. All costs are charged directly to the corresponding department.

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

**Measurement Focus - Basic Financial Statements & Fund Financial Statements**

The financial transactions of the Unit 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 Unit:

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 Unit:

**Major Funds**

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

REGIONAL SCHOOL UNIT NO. 13

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonmajor Funds

- b. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.
- d. Permanent Funds are used to account for assets held by the Unit 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 Unit or its citizenry. The Unit's policy for authorizing and spending investment income follows State statutes.

2. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Unit programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds. Component units that are fiduciary in nature have been excluded from these financial statements.

The Unit's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

The emphasis in fund financial statements is on the major funds in the governmental activity 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, 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

REGIONAL SCHOOL UNIT NO. 13

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Unit'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.

Revenues and expenditures as reported in the Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual - General Fund (Schedule 1) are reported on the basis budgeted by the Unit. Statement B is presented on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). The following is a reconciliation of the GAAP and budgetary fund balances for the Unit's General Fund.

Revenues per budgetary basis	\$25,111,958
Add: On-behalf payments	<u>1,471,647</u>
Total GAAP basis	<u>\$26,583,605</u>
Expenditures per budgetary basis	\$24,450,275
Add: On-behalf basis	<u>1,471,647</u>
Total GAAP basis	<u>\$25,921,922</u>

REGIONAL SCHOOL UNIT NO. 13

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In accordance with Governmental Accounting Standards Board Statement No. 24, *Accounting and Reporting for Certain Grants and Other Financial Assistance*, the Unit has recorded a revenue and expenditure for Maine Public Employees Retirement contributions made by the State of Maine on-behalf of the Unit. These amounts have not been budgeted in the General Fund and result in a difference in reporting on a budgetary basis of accounting versus reporting under generally accepted accounting principles of \$1,471,647. These amounts have been included as intergovernmental revenue and as education expenditures in the General Fund on Statement B (GAAP basis). There is no effect on the total fund balance at the end of the year.

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

1. Early in the first half of the year the Unit prepares a budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the inhabitants of the Unit 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 Unit.
4. The Unit does not adopt budgets for Special Revenue Funds.

**Deposits and Investments**

The Unit'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 Unit's policy to value investments at fair value. None of the Unit's investments are reported at amortized cost. The Unit 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 Unit has no formal investment policy but instead follows the State of Maine Statutes.

REGIONAL SCHOOL UNIT NO. 13

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Inventories**

Inventories consist of expendable supplies held for consumption and are valued at cost which approximates market, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when used (consumption method). Inventory of the Unit consists of school nutrition supplies and food on hand at the end of the year.

**Prepaid Items**

Certain insurance and other payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**Interfund Receivables and Payables**

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

**Transactions Between Funds**

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

**Allowance for Uncollectible Accounts**

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

**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.

REGIONAL SCHOOL UNIT NO. 13

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Unit. The Unit has not retroactively recorded infrastructure.

Estimated useful lives are as follows:

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

**Long-term Obligations**

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

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

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

**Compensated Absences**

The Unit's policies regarding vacation and sick time do permit employees to accumulate earned but unused vacation and sick leave, as well as unused personal days converted to sick time. 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

REGIONAL SCHOOL UNIT NO. 13

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

**Pensions**

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

**Net Position**

Net position represents the difference between all other elements in a statement of financial position. Net 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 Unit 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 Unit 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.

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



REGIONAL SCHOOL UNIT NO. 13

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Unit. The inhabitants of the Unit through Unit meetings are the highest level of decision-making authority of the Unit. Commitments may be established, modified, or rescinded only through a Unit 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 Directors.

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 Unit considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Unit considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Unit 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 Unit has only one type of item, deferred outflows related to pensions. This item is reported in the statement of net position.

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. Prepaid meals qualify for reporting in this category. This item is reported in both the statements of net position and governmental

REGIONAL SCHOOL UNIT NO. 13

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

funds balance sheet. Deferred inflows related to pensions qualify for reporting in this category as well. This item is reported only in the statement of net position. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

**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).

**Encumbrance Accounting**

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. While the Unit does utilize encumbrance accounting for its general fund, encumbrances outstanding at June 30, 2016 lapse and are reappropriated and/or reencumbered as part of the subsequent year's budget. The Unit had no material encumbrances outstanding at June 30, 2016.

**Use of Estimates**

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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

**Deposits:**

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Unit will not be able to recover its deposits. The Unit does not have a policy covering custodial credit risk for deposits. However, the Unit maintains deposits in qualifying financial institutions that are a member of the FDIC or

REGIONAL SCHOOL UNIT NO. 13

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes. At June 30, 2016, the Unit's deposits and cash equivalents amounting to \$1,633,639 were comprised of bank deposits and cash equivalents of \$1,939,061. Of these bank deposits and cash equivalents, \$386,576 was insured by federal depository insurance and consequently was not exposed to custodial credit risk and \$1,399,573 was collateralized with securities held by the financial institution in the Unit's name. The remaining deposits of \$152,912 were uncollateralized and uninsured.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 402,912
Repurchase agreements	1,399,573
Savings accounts	22,111
Cash and cash equivalents	114,465
	<u>\$ 1,939,061</u>

**Investments:**

Custodial credit risk for investments is that, in the event of failure of the counterparty, the Unit will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the Unit does not have a policy for custodial credit risk for investments.

At June 30, 2016, the Unit's certificates of deposit of \$141,444 were fully insured by federal depository insurance and thus not exposed to custodial credit risk. Of the Unit's remaining investments of \$1,803,273, \$1,043,494 were covered by the Securities Investor Protection Corporation (SIPC) and \$759,779 were uninsured and uncollateralized.

<u>Investment Type</u>	<u>Fair Value</u>	<u>N/A</u>	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>Over 5 Years</u>
Debt securities:					
Corporate bonds	\$ 446,146	\$ -	\$ 130,778	\$ 289,168	\$ 26,200
Equity securities:					
Common stock - domestic	352,662	352,662	-	-	-
Mutual funds:					
Equities	344,955	344,955	-	-	-
Fixed income	659,510	659,510	-	-	-
Certificates of deposit	141,444	-	63,230	69,214	9,000
	<u>\$ 1,944,717</u>	<u>\$ 1,357,127</u>	<u>\$ 194,008</u>	<u>\$ 358,382</u>	<u>\$ 35,200</u>

REGIONAL SCHOOL UNIT NO. 13

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

**Fair Value Hierarchy**

The Unit categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Unit has the following recurring fair value measurements as June 30, 2016:

	June 30, 2016 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>				
Debt securities:				
Corporate bonds	\$ 446,146	\$ -	\$ 446,146	\$ -
Total debt securities	446,146	-	446,146	-
Equity securities:				
Common stock - domestic	352,662	352,662	-	-
Mutual funds - domestic and foreign	1,004,465	1,004,465	-	-
Total equity securities	1,357,127	1,357,127	-	-
Total investments by fair value level	1,803,273	\$ 1,357,127	\$ 446,146	\$ -
<u>Cash equivalents measured at the net asset value (NAV)</u>				
Money market mutual funds	114,465			
Total cash equivalents measured at the NAV	114,465			
Total investments and cash equivalents measured at fair value	\$ 1,917,738			

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 Unit has no Level 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, 2016 in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies. Certificates of deposit held with local financial institutions for \$141,444 are excluded from the hierarchy as these investments are considered held to maturity and are therefore not measured at fair value.

Credit risk – Statutes for the State of Maine authorize the Unit 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 Unit does not have an investment policy on credit risk. Generally, the Unit invests

REGIONAL SCHOOL UNIT NO. 13

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

excess funds in repurchase agreements, savings accounts and various insured certificates of deposit. Certain long-term trust funds are invested through a financial institution with trust powers in a mix of securities that comply with state and federal regulations to provide long-term growth and income. As of June 30, 2016 the Unit's investments in corporate bonds were rated AA+ (\$26,404), AA- (\$187,476), A (\$50,217), A- (\$80,496), BBB+ (\$50,978), BBB (\$50,575) by Standard & Poor's Rating Service. The Unit's holdings in mutual funds and negotiable certificates of deposit totaling \$1,145,909 were not rated.

Interest rate risk – is the risk that changes in interest rates will adversely affect the fair value of an investment. The Unit 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.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

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

	Receivables (Due From)	Payables (Due To)
General Fund	\$ 668,942	\$ 243,167
Nonmajor Special Revenue Funds	243,167	597,776
Nonmajor Capital Projects Funds	-	71,166
	<u>\$ 912,109</u>	<u>\$ 912,109</u>

REGIONAL SCHOOL UNIT NO. 13

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 4 - CAPITAL ASSETS

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

	Balance, 7/1/15	Additions	Deletions	Balance, 6/30/16
Non-depreciated assets:				
Land	\$ 211,479	\$ -	\$ -	\$ 211,479
Art work	67,000	-	-	67,000
	<u>278,479</u>	<u>-</u>	<u>-</u>	<u>278,479</u>
Depreciated assets:				
Land improvements	1,252,353	-	-	1,252,353
Buildings	21,947,172	-	-	21,947,172
Machinery and equipment	4,233,945	17,437	-	4,251,382
Vehicles	2,037,597	192,841	-	2,230,438
	<u>29,471,067</u>	<u>210,278</u>	<u>-</u>	<u>29,681,345</u>
Less: accumulated depreciation	<u>(14,107,966)</u>	<u>(855,679)</u>	<u>-</u>	<u>(14,963,645)</u>
	<u>15,363,101</u>	<u>(645,401)</u>	<u>-</u>	<u>14,717,700</u>
Net capital assets	<u>\$ 15,641,580</u>	<u>\$ (645,401)</u>	<u>\$ -</u>	<u>\$ 14,996,179</u>
<u>Current Year Depreciation:</u>				
Regular education				\$ 498,919
Maintenance and operations				211,206
Transportation				95,214
Administration				41,663
School lunch				<u>8,677</u>
Total depreciation expense				<u>\$ 855,679</u>

REGIONAL SCHOOL UNIT NO. 13

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 5 - LONG-TERM DEBT

The General Fund of the Unit is used to pay for all long-term debt. A summary of long-term debt is as follows:

	Balance, 7/1/15	Additions	Reductions	Balance, 6/30/16	Due Within One Year
Bonds payable	\$ 2,602,750	\$ -	\$ (539,250)	\$ 2,063,500	\$ 539,250
Capital leases payable	671,835	210,278	(291,616)	590,497	203,115
Accrued compensated absences	606,837	-	(140,843)	465,994	465,994
Net pension liability	733,901	745,000	(687,718)	791,183	78,423
Totals	<u>\$ 4,615,323</u>	<u>\$ 955,278</u>	<u>\$ (1,659,427)</u>	<u>\$ 3,911,174</u>	<u>\$ 1,286,782</u>

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

\$2,760,000, 1997 General Obligation bond due in annual principal installments of \$138,000 through November of 2017. The interest rate varies from 5.276% to 5.776% per annum.	\$ 276,000
\$2,225,000, 2002 General Obligation bond due in annual principal installments of \$111,250 through November of 2021. The interest rate varies from 3.048% to 5.423% per annum.	667,500
\$4,800,000, 1998 General Obligation bond due in annual principal installments of \$240,000 through November of 2018. The interest rate varies from 4.528% to 5.378% per annum.	720,000
\$500,000, 2013 General Obligation bond due in annual principal installments of \$50,000 through November of 2023. The interest rate varies from 0.600% to 2.380% per annum.	<u>400,000</u>
Total bonds payable	<u>\$ 2,063,500</u>

REGIONAL SCHOOL UNIT NO. 13

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 5 - LONG-TERM DEBT (CONTINUED)

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

Year Ending June 30,	Principal	Interest	Total
2017	\$ 539,250	\$ 80,944	\$ 620,194
2018	539,250	53,558	592,808
2019	401,250	31,973	433,223
2020	161,250	18,883	180,133
2021	161,250	13,171	174,421
2022-2026	261,250	8,666	269,916
	<u>\$ 2,063,500</u>	<u>\$ 207,195</u>	<u>\$ 2,270,695</u>

No interest costs were capitalized during the period. The amount of interest costs incurred and charged to expense for the year ended June 30, 2016 was \$110,654.

A summary of the outstanding capital leases payable is as follows:

The Unit leases computers, photocopiers, buses and vehicles under non-cancelable lease agreements. These leases have given rise to property rights and qualify as a capital lease for accounting purposes. Payment obligations for these capital leases have been satisfied as of year end.

The future minimum lease obligations of the remaining leases, and the net present value of these minimum lease payments for the next five years ending June 30, are as follows:

Year Ending June 30:	
2017	\$ 222,325
2018	167,905
2019	131,703
2020	109,415
2021	2,725
Total minimum lease payments	<u>634,073</u>
Less: amount representing interest	<u>(43,576)</u>
Present value of future minimum lease payments	<u>\$ 590,497</u>



REGIONAL SCHOOL UNIT NO. 13  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2016

NOTE 6 - NONSPENDABLE FUND BALANCES

At June 30, 2016, the Unit had the following nonspendable fund balances:

General Fund:	
Prepaid Items	\$ 31,634
Nonmajor Special Revenue Funds (Schedule D)	<u>26,955</u>
	<u>\$ 58,589</u>

NOTE 7 - RESTRICTED FUND BALANCES

At June 30, 2016, the Unit had the following restricted fund balances:

Nonmajor Special Revenue Funds (Schedule D)	\$ 173,142
Nonmajor Permanent Funds (Schedule H)	<u>2,077,293</u>
	<u>\$ 2,250,435</u>

NOTE 8 - COMMITTED FUND BALANCES

At June 30, 2016, the Unit had the following committed fund balances:

Nonmajor Special Revenue Funds (Schedule D)	<u>\$ 95,214</u>
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NOTE 9 - ASSIGNED FUND BALANCES

At June 30, 2016, the Unit had the following assigned fund balances:

Nonmajor Special Revenue Funds (Schedule D)	<u>\$ 3,306</u>
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NOTE 10 - DEFICIT FUND BALANCES

At June 30, 2016, the Unit had the following deficit fund balances:

General Fund	\$ 275,989
Nonmajor Capital Projects Funds:	
School of our Future	<u>104,212</u>
	<u>\$ 380,201</u>

REGIONAL SCHOOL UNIT NO. 13

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 11 - RISK MANAGEMENT

The Unit is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Unit carries commercial insurance or participates in a public entity and self-insured risk pool sponsored by the Maine School Management Association.

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

NOTE 12 - DEFINED BENEFIT PENSION PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

**Plan Description**

All school teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's (MainePERS) State Employee and Teacher (SET) Plan. The teacher's program is a multi-employer cost-sharing plan with a special funding situation, established by the Maine State Legislature. The State of Maine is also a non-employer contributing entity in that the State pays the initial unfunded actuarial liability on behalf of teachers, while school districts contribute the normal cost, calculated actuarially, for their teacher members. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the State Legislature. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial and actuarial information for the SET Plan. That report may be obtained online at [www.maineopers.org](http://www.maineopers.org) or by contacting the System at (207) 512-3100.

**Benefits Provided**

The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State Legislature. The System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten year requirement was reduced by legislative action to five years for State employees and teachers). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is

REGIONAL SCHOOL UNIT NO. 13

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by statute for State employee and teacher members.

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

**Contributions**

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. The Unit's teachers are required to contribute 7.65% of their compensation to the retirement system. The Unit's payroll for teachers covered by this program was approximately \$12,450,008 for the year ended June 30, 2016. Title 5 of the Maine Revised Statutes Annotated requires the State to contribute 10.02% of the Unit's contractually required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability (UAL). Contributions paid by the State were approximately \$1,174,973 for the year ended June 30, 2016. Title 5 of the Maine Revised Statutes Annotated also requires the Unit to contribute at an actuarially determined normal cost rate of 3.36%, which totaled \$418,320 for 2016. In addition, the Unit is required to contribute toward the UAL of the plan and pay a small percentage of payroll towards the administrative costs for federally funded teachers, which amounts to 10.57% of compensation and totaled \$76,499 the year ended June 30, 2016.

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

At June 30, 2016, the Unit reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the Unit. The amount recognized by the Unit as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Unit were as follows:

REGIONAL SCHOOL UNIT NO. 13

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Unit's proportionate share of the net pension liability	\$ 791,183
State's proportionate share of the net pension liability associated with the Unit	<u>14,805,141</u>
Total	<u><u>\$ 15,596,324</u></u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Unit's proportion of the net pension liability was based on a projection of the Unit's long-term share of contributions to the pension plan relative to the projected contributions of all participating school Units and the State, actuarially determined. At June 30, 2015, the Unit's proportion was 0.058601%, which was a decrease of 0.067933% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Unit recognized net pension expense of \$658,638 and revenue of \$673,178 for support provided by the State of Maine. At June 30, 2016, the Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SET Plan	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 5,493
Changes of assumptions	21,800	-
Net difference between projected and actual earnings on pension plan investments	167,414	203,190
Changes in proportion and differences between employer contributions and proportionate share of contributions	133,026	93,978
Contributions subsequent to the measurement date	<u>494,819</u>	<u>-</u>
Total	<u><u>\$ 817,059</u></u>	<u><u>\$ 302,661</u></u>

\$494,819 reported as deferred outflows of resources related to pensions resulting from Unit contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

REGIONAL SCHOOL UNIT NO. 13

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

	SET Plan
Year ended June 30:	
2017	\$ 78,423
2018	(74,821)
2019	(25,876)
2020	41,853
2021	-
Thereafter	-

**Actuarial Methods and Assumptions**

The collective total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2015 and 2014, using the following methods and assumptions applied to all periods included in the measurement:

*Actuarial Cost Method*

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

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

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

*Asset Valuation Method*

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

REGIONAL SCHOOL UNIT NO. 13

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

*Amortization*

The net pension liability of the State Employee and Teacher Retirement Plan is amortized on a level percentage of payroll over the amortization period then in effect under statutory and constitutional requirements.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2015 and June 30, 2014 are as follows:

*Investment Rate of Return* - For the State Employee and Teacher Plan, 7.125% per annum for the years ended June 30, 2015 and 2014, compounded annually.

*Salary Increases, Merit and Inflation* - State Employees, 3.50% to 10.50% per year; Teachers, 3.50% to 13.5% per year.

*Mortality Rates* - For active State employee members and non-disabled retirees of the State employee plan, the RP2000 Tables projected forward to 2015 using Scale AA are used; for active members and non-disabled retirees of the teachers' plan, the ages are set back two years; for all recipients of disability benefits, the Revenue Ruling 96-7 Disabled Mortality Table for Males and Females is used.

*Cost of Living Benefit Increases* - 2.55% per annum for State Employees and Teachers.

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

REGIONAL SCHOOL UNIT NO. 13

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

*Discount Rate*

The discount rate used to measure the collective total pension liability was 7.125% for 2015 and 2014 for the State Employee and Teacher Plan. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease	Discount Rate	1% Increase
SET Plan: Discount rate	6.125%	7.125%	8.125%
Employer's proportionate share of the net pension liability	\$ 1,385,174	\$ 791,183	\$ 296,457

REGIONAL SCHOOL UNIT NO. 13

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

**Changes in Net Pension Liability**

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

*Differences between Expected and Actual Experience*

The difference between expected and actual experience with regard to economic or demographic factors were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. For 2015 and 2014, this was 3 years for the State Employee and Teacher Plan.

*Differences between Projected and Actual Investment Earnings*

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

*Changes in Assumptions*

Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. There were no changes in assumptions for the State Employee and Teacher Plan.

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

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

**Pension Plan Fiduciary Net Position**

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS' 2015 Comprehensive Annual Financial Report available online at [www.mainePers.org](http://www.mainePers.org) or by contacting the System at (207) 512-3100.



REGIONAL SCHOOL UNIT NO. 13

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 13 - DEFERRED COMPENSATION PLAN

The Unit offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403. The plan, available to all Unit employees as part of a collective bargaining agreement, 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 unforeseen emergency.

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

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

NOTE 14 - CONTINGENCIES / COMMITMENTS

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 Unit's financial position.

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

NOTE 15 - EXPENDITURES OVER APPROPRIATIONS

At June 30, 2016, the Unit had no overspent appropriations.

NOTE 16 - RELATED PARTY TRANSACTIONS

An employee of the Regional School Unit No. 13 was hired to provide mowing services to the Unit. During fiscal year 2016, payments for these services totaled \$33,096.

REGIONAL SCHOOL UNIT NO. 13

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 17 - BENEFICIAL INTERESTS IN ASSETS HELD BY OTHERS

Regional School Unit No. 13 is an income beneficiary of assets held by Maine Community Foundation (MCF) as a result of making reciprocal transfers of assets to MCF and specifying itself as the beneficiary. As such, Regional School Unit No. 13 receives distributions amounting to a percentage of the fair value of these assets each year. Regional School Unit No. 13 has granted variance power to MCF. The Board of Trustees of the MCF has the power to modify, consistently with State law, including seeking approval of the appropriate court or Attorney General, where applicable, any restriction or condition on the distribution of funds for any specified entities if, in the sole judgment of the Board (without the necessity of the approval of any participating trustee, custodian, or agent), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. Annual distributions from these assets have been reported as revenue.

The estimated fair market value of the beneficial interest in the assets, which approximate the present values of the expected future cash flows from the assets, are recognized in the statement of net position as investments. This amounted to \$43,489 for the year ended June 30, 2016.

NOTE 18 - RESTATEMENTS

The beginning fund balance of the general fund and the net position for the governmental activities have been restated as of July 1, 2015. These balances were restated to correct the health and dental liabilities balances. The general fund and the governmental activities were restated by (\$94,739).

The beginning fund balance of the general fund and the net position for the governmental activities have been restated as of July 1, 2015. These balances were restated to correct accrued payroll balances. The general fund and the governmental activities were restated by (\$216,807).

The beginning fund balance of the general fund and the net position for the governmental activities have been restated as of July 1, 2015. These balances were restated to correct the accounts payable balance. The general fund and the governmental activities were restated by \$15,238.

The beginning fund balance of the general fund has been restated as of July 1, 2015. This balance was restated to remove the current portion of accrued vacation balance. The general fund was restated by \$65,204.

The beginning fund balance of the permanent funds and the net position for the governmental activities have been restated as of July 1, 2015. These balances were restated to correct the balances in the Nicolas Stevens fund, Seekins fund and to

REGIONAL SCHOOL UNIT NO. 13

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 18 - RESTATEMENTS (CONTINUED)

reclassify the Class of 2006 fund as a fiduciary fund. The permanent funds and the governmental activities were restated by (\$7,130).

The net restatement to the general fund, permanent funds and governmental activities was (\$231,104), (\$7,130) and (\$303,438), respectively.

NOTE 19 - 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 Unit'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
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions

## REGIONAL SCHOOL UNIT NO. 13

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

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, Restated	\$ (937,672)	\$ (937,672)	\$ (937,672)	\$ -
Resources (inflows):				
Support from towns	20,869,760	20,869,760	20,869,760	-
Intergovernmental revenues:				
State subsidy	2,918,551	2,918,551	2,911,618	(6,933)
State agency client	-	-	31,697	31,697
St. George reconciliation	-	-	212,374	212,374
Other	50,500	50,500	46,644	(3,856)
Charges for services	958,500	958,500	928,752	(29,748)
Interest income	8,325	8,325	11,609	3,284
Miscellaneous revenues	15,000	15,000	55,661	40,661
Transfers from other funds	45,000	45,000	43,843	(1,157)
Amounts Available for Appropriation	<u>23,927,964</u>	<u>23,927,964</u>	<u>24,174,286</u>	<u>246,322</u>
Charges to Appropriations (outflows):				
Instruction	9,973,800	9,973,800	9,951,268	22,532
Special education	4,253,874	4,291,235	4,291,235	-
Career & technical	836,685	836,685	836,685	-
Other instructional	556,046	556,046	530,810	25,236
Student & staff support	2,630,087	2,630,087	2,351,881	278,206
System administration	677,612	677,612	560,491	117,121
School administration	1,410,385	1,410,385	1,303,862	106,523
Transportation	1,265,956	1,265,956	1,164,447	101,509
Facilities	2,943,827	2,906,466	2,773,682	132,784
Debt service:				
Principal	359,198	359,198	359,198	-
Interest	75,166	75,166	68,716	6,450
Transfers to other funds	258,000	258,000	258,000	-
Total Charges to Appropriations	<u>25,240,636</u>	<u>25,240,636</u>	<u>24,450,275</u>	<u>790,361</u>
Budgetary Fund Balance, June 30	<u>\$ (1,312,672)</u>	<u>\$ (1,312,672)</u>	<u>\$ (275,989)</u>	<u>\$ 1,036,683</u>
Utilization of unassigned fund balance	<u>\$ 375,000</u>	<u>\$ 375,000</u>	<u>\$ -</u>	<u>\$ (375,000)</u>

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

## REGIONAL SCHOOL UNIT NO. 13

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

	<u>2016</u>	<u>2015</u>
<u>SET Plan:</u>		
Unit's proportion of the net pension liability (asset)	0.06%	0.07%
Unit's proportionate share of the net pension liability (asset)	\$ 791,183	\$ 733,901
State's proportionate share of the net pension liability (asset) associated with the Unit	<u>14,805,141</u>	<u>12,155,484</u>
Total	<u>\$ 15,596,324</u>	<u>\$ 12,889,385</u>
Unit's covered-employee payroll	\$ 12,450,008	\$ 13,198,919
Unit's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	6.35%	5.56%
Plan fiduciary net position as a percentage of the total pension liability	81.18%	83.91%

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

## REGIONAL SCHOOL UNIT NO. 13

SCHEDULE OF CONTRIBUTIONS  
LAST 10 FISCAL YEARS\*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>SET Plan:</u>			
Contractually required contribution	\$ 494,819	\$ 443,714	\$ 461,070
Contributions in relation to the contractually required contribution	<u>(494,819)</u>	<u>(443,714)</u>	<u>(461,070)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Unit's covered-employee payroll	\$ 12,450,008	\$ 13,198,919	\$ 13,380,695
Contributions as a percentage of covered- employee payroll	3.97%	3.36%	3.45%

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

## 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.

- 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 Capital Projects Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects 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



SCHEDULE A

REGIONAL SCHOOL UNIT NO. 13

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

	Original Budget	Final Budget	Actual Expenditures	Variance Positive (Negative)
<b>INSTRUCTION (Article 1)</b>				
Regular instruction - elementary	\$ 6,246,492	\$ 6,246,492	\$ 6,110,589	\$ 135,903
Regular instruction - secondary	3,069,416	3,069,416	3,225,055	(155,639)
Alternative education	372,574	372,574	349,704	22,870
English as a second language	84,657	84,657	83,941	716
Gifted and talented	171,414	171,414	137,614	33,800
Field trips - elementary	18,526	18,526	21,358	(2,832)
Field trips - secondary	10,721	10,721	23,007	(12,286)
Totals	<u>9,973,800</u>	<u>9,973,800</u>	<u>9,951,268</u>	<u>22,532</u>
<b>SPECIAL EDUCATION (Article 2)</b>				
Resource room	1,134,405	1,134,405	1,169,297	(34,892)
Self contained class	1,355,225	1,355,225	1,353,987	1,238
Life skills	570,714	570,714	576,422	(5,708)
Social worker	155,955	155,955	53,074	102,881
Evaluator	153,704	153,704	154,796	(1,092)
Speech services	358,527	358,527	370,147	(11,620)
Physical therapist	79,133	79,133	92,081	(12,948)
Occupational therapy	136,019	136,019	135,108	911
Hospital/homebound	10,444	10,444	41,665	(31,221)
Administration	299,748	337,109	344,658	(7,549)
Totals	<u>4,253,874</u>	<u>4,291,235</u>	<u>4,291,235</u>	<u>-</u>
<b>CAREER AND TECHNICAL (Article 3)</b>				
Career & technical education	<u>836,685</u>	<u>836,685</u>	<u>836,685</u>	<u>-</u>
Totals	<u>836,685</u>	<u>836,685</u>	<u>836,685</u>	<u>-</u>
<b>OTHER INSTRUCTIONAL (Article 4)</b>				
Summer school	-	-	17,704	(17,704)
Extra curricular/athletics	<u>556,046</u>	<u>556,046</u>	<u>513,106</u>	<u>42,940</u>
Totals	<u>556,046</u>	<u>556,046</u>	<u>530,810</u>	<u>25,236</u>

SCHEDULE A (CONTINUED)  
REGIONAL SCHOOL UNIT NO. 13

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

	Original Budget	Final Budget	Actual Expenditures	Variance Positive (Negative)
<b>STUDENT AND STAFF SUPPORT (Article 5)</b>				
Guidance	\$ 565,533	\$ 565,533	\$ 526,092	\$ 39,441
Student 504 services	27,223	27,223	396	26,827
Instructional staff training	145,230	145,230	104,302	40,928
Library	298,470	298,470	254,696	43,774
Instructional technology	1,078,316	1,078,316	982,015	96,301
Health services	295,363	295,363	284,776	10,587
Improvement of instruction	192,042	192,042	181,664	10,378
Student assessment	27,910	27,910	17,940	9,970
Totals	<u>2,630,087</u>	<u>2,630,087</u>	<u>2,351,881</u>	<u>278,206</u>
<b>SYSTEM ADMINISTRATION (Article 6)</b>				
School board	110,972	110,972	69,381	41,591
Elections	-	-	5,313	(5,313)
Legal	5,000	5,000	-	5,000
Office of the superintendent	262,881	262,881	187,514	75,367
Business office	298,759	298,759	298,283	476
Totals	<u>677,612</u>	<u>677,612</u>	<u>560,491</u>	<u>117,121</u>
<b>SCHOOL ADMINISTRATION (Article 7)</b>				
Principal's office	1,410,385	1,410,385	1,303,862	106,523
Totals	<u>1,410,385</u>	<u>1,410,385</u>	<u>1,303,862</u>	<u>106,523</u>
<b>TRANSPORTATION (Article 8)</b>				
Totals	<u>1,265,956</u>	<u>1,265,956</u>	<u>1,164,447</u>	<u>101,509</u>
<b>FACILITIES (Article 9)</b>				
Operations and maintenance	1,315,840	1,278,479	1,177,261	101,218
Custodians	957,322	957,322	944,446	12,876
Care of buildings	200,067	200,067	241,042	(40,975)
District maintenance	470,598	470,598	410,933	59,665
Totals	<u>2,943,827</u>	<u>2,906,466</u>	<u>2,773,682</u>	<u>132,784</u>

SCHEDULE A (CONTINUED)  
REGIONAL SCHOOL UNIT NO. 13

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

	Original Budget	Final Budget	Actual Expenditures	Variance Positive (Negative)
DEBT SERVICE (Article 10)				
Principal	359,198	359,198	359,198	-
Interest	75,166	75,166	68,716	6,450
Totals	<u>434,364</u>	<u>434,364</u>	<u>427,914</u>	<u>6,450</u>
TRANSFERS TO OTHER FUNDS (Article 11)				
Food service transfer	258,000	258,000	258,000	-
Totals	<u>258,000</u>	<u>258,000</u>	<u>258,000</u>	<u>-</u>
 TOTAL EXPENDITURES	 <u>\$ 25,240,636</u>	 <u>\$ 25,240,636</u>	 <u>\$ 24,450,275</u>	 <u>\$ 790,361</u>

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

SCHEDULE B

REGIONAL SCHOOL UNIT NO. 13

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2016

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 132,576	\$ 132,576
Investments	-	-	1,944,717	1,944,717
Accounts receivable (net of allowance for uncollectibles)	16,519	-	-	16,519
Due from other governments	661,421	-	-	661,421
Inventory	26,955	-	-	26,955
Due from other funds	243,167	-	-	243,167
<b>TOTAL ASSETS</b>	<b><u>\$ 948,062</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,077,293</u></b>	<b><u>\$ 3,025,355</u></b>
<b>LIABILITIES</b>				
Accounts payable	\$ 53,992	\$ 33,046	\$ -	\$ 87,038
Due to other funds	597,776	71,166	-	668,942
<b>TOTAL LIABILITIES</b>	<b><u>651,768</u></b>	<b><u>104,212</u></b>	<b><u>-</u></b>	<b><u>755,980</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Prepaid meals	5,629	-	-	5,629
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b><u>5,629</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>5,629</u></b>
<b>FUND BALANCES (DEFICITS)</b>				
Nonspendable	26,955	-	-	26,955
Restricted	173,142	-	2,077,293	2,250,435
Committed	95,214	-	-	95,214
Assigned	3,306	-	-	3,306
Unassigned	(7,952)	(104,212)	-	(112,164)
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b><u>290,665</u></b>	<b><u>(104,212)</u></b>	<b><u>2,077,293</u></b>	<b><u>2,263,746</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)</b>	<b><u>\$ 948,062</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,077,293</u></b>	<b><u>\$ 3,025,355</u></b>

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

## REGIONAL SCHOOL UNIT NO. 13

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

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental revenue	\$ 2,492,974	\$ -	\$ -	\$ 2,492,974
Charges for services	180,974	-	-	180,974
Investment income, net of unrealized gains/(losses)	-	-	(2,954)	(2,954)
Other	163,963	-	-	163,963
TOTAL REVENUES	<u>2,837,911</u>	<u>-</u>	<u>(2,954)</u>	<u>2,834,957</u>
EXPENDITURES				
Program expenses	2,896,745	123,027	24,447	3,044,219
TOTAL EXPENDITURES	<u>2,896,745</u>	<u>123,027</u>	<u>24,447</u>	<u>3,044,219</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(58,834)</u>	<u>(123,027)</u>	<u>(27,401)</u>	<u>(209,262)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	258,000	-	-	258,000
Transfers (out)	(43,843)	-	-	(43,843)
TOTAL OTHER FINANCING SOURCES (USES)	<u>214,157</u>	<u>-</u>	<u>-</u>	<u>214,157</u>
NET CHANGE IN FUND BALANCES	155,323	(123,027)	(27,401)	4,895
FUND BALANCES (DEFICITS), JULY 1, RESTATED	<u>135,342</u>	<u>18,815</u>	<u>2,104,694</u>	<u>2,258,851</u>
FUND BALANCES (DEFICITS), JUNE 30	<u>\$ 290,665</u>	<u>\$ (104,212)</u>	<u>\$ 2,077,293</u>	<u>\$ 2,263,746</u>

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

## Special Revenue Funds

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

REGIONAL SCHOOL UNIT NO. 13

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

	<u>Adult Education</u>	<u>Laptop Damage</u>	<u>Restricted Grants Local</u>	<u>Fast Track</u>	<u>Active Schools Acceleration Project</u>	<u>Stephen &amp; Tabitha King</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
Inventory	-	-	-	-	-	-
Due from other funds	14,992	63,989	23,487	1,364	1,610	2,904
<b>TOTAL ASSETS</b>	<u>\$ 14,992</u>	<u>\$ 63,989</u>	<u>\$ 23,487</u>	<u>\$ 1,364</u>	<u>\$ 1,610</u>	<u>\$ 2,904</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 201	\$ -	\$ 721	\$ -	\$ -	\$ 512
Due to other funds	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>201</u>	<u>-</u>	<u>721</u>	<u>-</u>	<u>-</u>	<u>512</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Prepaid meals	-	-	-	-	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES (DEFICITS)</b>						
Nonspendable	-	-	-	-	-	-
Restricted	14,791	-	22,766	-	-	-
Committed	-	63,989	-	1,364	-	2,392
Assigned	-	-	-	-	1,610	-
Unassigned	-	-	-	-	-	-
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<u>14,791</u>	<u>63,989</u>	<u>22,766</u>	<u>1,364</u>	<u>1,610</u>	<u>2,392</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)</b>	<u>\$ 14,992</u>	<u>\$ 63,989</u>	<u>\$ 23,487</u>	<u>\$ 1,364</u>	<u>\$ 1,610</u>	<u>\$ 2,904</u>

REGIONAL SCHOOL UNIT NO. 13

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

	GREF	Worthington Grant	Anonimo	College Transition	Transitions Grant Proficiency Based	PEPG Development
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable (net of allowance for uncollectibles)	3,802	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
Inventory	-	-	-	-	-	-
Due from other funds	-	2,000	-	500	19,385	654
<b>TOTAL ASSETS</b>	<b>\$ 3,802</b>	<b>\$ 2,000</b>	<b>\$ -</b>	<b>\$ 500</b>	<b>\$ 19,385</b>	<b>\$ 654</b>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ 500	\$ -	\$ -
Due to other funds	3,407	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>3,407</b>	<b>-</b>	<b>-</b>	<b>500</b>	<b>-</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Prepaid meals	-	-	-	-	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES (DEFICITS)</b>						
Nonspendable	-	-	-	-	-	-
Restricted	-	2,000	-	-	19,385	654
Committed	395	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>395</b>	<b>2,000</b>	<b>-</b>	<b>-</b>	<b>19,385</b>	<b>654</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)</b>	<b>\$ 3,802</b>	<b>\$ 2,000</b>	<b>\$ -</b>	<b>\$ 500</b>	<b>\$ 19,385</b>	<b>\$ 654</b>



REGIONAL SCHOOL UNIT NO. 13

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

	SOHP Oral Health	Title IA Disadvantage	Pre-K Expansion Fund	MaineCare Fund	IDEA-B	IDEA-B Pre School
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-	-	-
Due from other governments	-	256,642	97,797	-	256,191	10,207
Inventory	-	-	-	-	-	-
Due from other funds	403	-	-	74,619	-	-
<b>TOTAL ASSETS</b>	<u>\$ 403</u>	<u>\$ 256,642</u>	<u>\$ 97,797</u>	<u>\$ 74,619</u>	<u>\$ 256,191</u>	<u>\$ 10,207</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 403	\$ 534	\$ 9,820	\$ 714	\$ 33,016	\$ -
Due to other funds	-	256,108	70,772	-	223,175	10,207
<b>TOTAL LIABILITIES</b>	<u>403</u>	<u>256,642</u>	<u>80,592</u>	<u>714</u>	<u>256,191</u>	<u>10,207</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Prepaid meals	-	-	-	-	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES (DEFICITS)</b>						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	17,205	73,905	-	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<u>-</u>	<u>-</u>	<u>17,205</u>	<u>73,905</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)</b>	<u>\$ 403</u>	<u>\$ 256,642</u>	<u>\$ 97,797</u>	<u>\$ 74,619</u>	<u>\$ 256,191</u>	<u>\$ 10,207</u>

REGIONAL SCHOOL UNIT NO. 13

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

	Title VI Rural <u>Low Income</u>	<u>Title IIA</u>	Food Service <u>Service</u>	<u>AEFLA</u>	Fuel Reserve <u>Reserve</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable (net of allowance for uncollectibles)	-	-	12,717	-	-
Due from other governments	-	14,720	25,864	-	-
Inventory	-	-	26,955	-	-
Due from other funds	-	4,515	-	-	20,624
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ 19,235</u>	<u>\$ 65,536</u>	<u>\$ -</u>	<u>\$ 20,624</u>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ 774	\$ 6,797	\$ -	\$ -
Due to other funds	-	-	34,107	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>774</u>	<u>40,904</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Prepaid meals	-	-	5,629	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>	<u>5,629</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES (DEFICITS)</b>					
Nonspendable	-	-	26,955	-	-
Restricted	-	18,461	-	-	-
Committed	-	-	-	-	20,624
Assigned	-	-	-	-	-
Unassigned	-	-	(7,952)	-	-
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<u>-</u>	<u>18,461</u>	<u>19,003</u>	<u>-</u>	<u>20,624</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)</b>	<u>\$ -</u>	<u>\$ 19,235</u>	<u>\$ 65,536</u>	<u>\$ -</u>	<u>\$ 20,624</u>

REGIONAL SCHOOL UNIT NO. 13

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

	Before School Supervision	Adult Ed Enrichment	MCASS Fund	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Accounts receivable (net of allowance for uncollectibles)	-	-	-	16,519
Due from other governments	-	-	-	661,421
Inventory	-	-	-	26,955
Due from other funds	6,450	3,975	1,696	243,167
<b>TOTAL ASSETS</b>	<u>\$ 6,450</u>	<u>\$ 3,975</u>	<u>\$ 1,696</u>	<u>\$ 948,062</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 53,992
Due to other funds	-	-	-	597,776
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>651,768</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Prepaid meals	-	-	-	5,629
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,629</u>
<b>FUND BALANCES (DEFICITS)</b>				
Nonspendable	-	-	-	26,955
Restricted	-	3,975	-	173,142
Committed	6,450	-	-	95,214
Assigned	-	-	1,696	3,306
Unassigned	-	-	-	(7,952)
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<u>6,450</u>	<u>3,975</u>	<u>1,696</u>	<u>290,665</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)</b>	<u>\$ 6,450</u>	<u>\$ 3,975</u>	<u>\$ 1,696</u>	<u>\$ 948,062</u>

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

## REGIONAL SCHOOL UNIT NO. 13

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

	Adult Education	Laptop Damage	Restricted Grants Local	Fast Track	Active Schools Acceleration Project	Stephen & Tabitha King
REVENUES						
Intergovernmental revenue	\$ 134,881	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-
Other	-	69,354	21,015	5,420	-	3,500
TOTAL REVENUES	<u>134,881</u>	<u>69,354</u>	<u>21,015</u>	<u>5,420</u>	<u>-</u>	<u>3,500</u>
EXPENDITURES						
Program expenses	<u>122,978</u>	<u>16,526</u>	<u>7,520</u>	<u>5,386</u>	<u>-</u>	<u>3,480</u>
TOTAL EXPENDITURES	<u>122,978</u>	<u>16,526</u>	<u>7,520</u>	<u>5,386</u>	<u>-</u>	<u>3,480</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>11,903</u>	<u>52,828</u>	<u>13,495</u>	<u>34</u>	<u>-</u>	<u>20</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	11,903	52,828	13,495	34	-	20
FUND BALANCES (DEFICITS), JULY 1	<u>2,888</u>	<u>11,161</u>	<u>9,271</u>	<u>1,330</u>	<u>1,610</u>	<u>2,372</u>
FUND BALANCES (DEFICITS), JUNE 30	<u>\$ 14,791</u>	<u>\$ 63,989</u>	<u>\$ 22,766</u>	<u>\$ 1,364</u>	<u>\$ 1,610</u>	<u>\$ 2,392</u>

REGIONAL SCHOOL UNIT NO. 13

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

	GREF	Worthington Grant	Anonimo	College Transition	Transitions Grant Proficiency Based	PEPG Development
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ 50,000	\$ 19,573	\$ 4,600
Charges for services	-	-	-	-	-	-
Other	6,802	2,000	39,500	-	-	-
TOTAL REVENUES	<u>6,802</u>	<u>2,000</u>	<u>39,500</u>	<u>50,000</u>	<u>19,573</u>	<u>4,600</u>
EXPENDITURES						
Program expenses	6,407	-	39,500	50,000	4,400	3,946
TOTAL EXPENDITURES	<u>6,407</u>	<u>-</u>	<u>39,500</u>	<u>50,000</u>	<u>4,400</u>	<u>3,946</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>395</u>	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>15,173</u>	<u>654</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	395	2,000	-	-	15,173	654
FUND BALANCES (DEFICITS), JULY 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,212</u>	<u>-</u>
FUND BALANCES (DEFICITS), JUNE 30	<u>\$ 395</u>	<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,385</u>	<u>\$ 654</u>

REGIONAL SCHOOL UNIT NO. 13

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

	SOHP Oral Health	Title IA Disadvantage	Pre-K Expansion Fund	MaineCare Fund	IDEA-B	IDEA-B Pre School
REVENUES						
Intergovernmental revenue	\$ 388	\$ 690,657	\$ 361,148	\$ 83,369	\$ 423,334	\$ 10,207
Charges for services	-	-	-	-	-	-
Other	-	-	-	-	-	-
TOTAL REVENUES	<u>388</u>	<u>690,657</u>	<u>361,148</u>	<u>83,369</u>	<u>423,334</u>	<u>10,207</u>
EXPENDITURES						
Program expenses	388	690,657	343,943	23,745	423,334	10,207
TOTAL EXPENDITURES	<u>388</u>	<u>690,657</u>	<u>343,943</u>	<u>23,745</u>	<u>423,334</u>	<u>10,207</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>17,205</u>	<u>59,624</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	(43,843)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(43,843)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	-	-	17,205	15,781	-	-
FUND BALANCES (DEFICITS), JULY 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,124</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS), JUNE 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,205</u>	<u>\$ 73,905</u>	<u>\$ -</u>	<u>\$ -</u>

REGIONAL SCHOOL UNIT NO. 13

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

	Title VI Rural Low Income	Title IIA	Food Service	AEFLA	Fuel Reserve
<b>REVENUES</b>					
Intergovernmental revenue	\$ 33,188	\$ 115,822	\$ 521,421	\$ 36,761	\$ -
Charges for services	-	-	180,974	-	-
Other	-	-	-	-	-
<b>TOTAL REVENUES</b>	<u>33,188</u>	<u>115,822</u>	<u>702,395</u>	<u>36,761</u>	<u>-</u>
<b>EXPENDITURES</b>					
Program expenses	<u>36,527</u>	<u>97,361</u>	<u>941,392</u>	<u>36,761</u>	<u>6,718</u>
<b>TOTAL EXPENDITURES</b>	<u>36,527</u>	<u>97,361</u>	<u>941,392</u>	<u>36,761</u>	<u>6,718</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(3,339)</u>	<u>18,461</u>	<u>(238,997)</u>	<u>-</u>	<u>(6,718)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	258,000	-	-
Transfers (out)	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>258,000</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES (DEFICITS)</b>	(3,339)	18,461	19,003	-	(6,718)
<b>FUND BALANCES (DEFICITS), JULY 1</b>	<u>3,339</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,342</u>
<b>FUND BALANCES (DEFICITS), JUNE 30</b>	<u>\$ -</u>	<u>\$ 18,461</u>	<u>\$ 19,003</u>	<u>\$ -</u>	<u>\$ 20,624</u>

REGIONAL SCHOOL UNIT NO. 13

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

	Before School Supervision	Adult Ed Enrichment	MCASS Fund	Total
<b>REVENUES</b>				
Intergovernmental revenue	\$ -	\$ 7,625	\$ -	\$ 2,492,974
Charges for services	-	-	-	180,974
Other	6,572	-	9,800	163,963
<b>TOTAL REVENUES</b>	<u>6,572</u>	<u>7,625</u>	<u>9,800</u>	<u>2,837,911</u>
<b>EXPENDITURES</b>				
Program expenses	8,471	8,416	8,682	2,896,745
<b>TOTAL EXPENDITURES</b>	<u>8,471</u>	<u>8,416</u>	<u>8,682</u>	<u>2,896,745</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,899)</u>	<u>(791)</u>	<u>1,118</u>	<u>(58,834)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	258,000
Transfers (out)	-	-	-	(43,843)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>214,157</u>
<b>NET CHANGE IN FUND BALANCES (DEFICITS)</b>	(1,899)	(791)	1,118	155,323
<b>FUND BALANCES (DEFICITS), JULY 1</b>	<u>8,349</u>	<u>4,766</u>	<u>578</u>	<u>135,342</u>
<b>FUND BALANCES (DEFICITS), JUNE 30</b>	<u>\$ 6,450</u>	<u>\$ 3,975</u>	<u>\$ 1,696</u>	<u>\$ 290,665</u>

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



## Capital Projects Funds

Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds.

## REGIONAL SCHOOL UNIT NO. 13

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS  
JUNE 30, 2016

	Capital Projects Fund	(4500) (4600) School of our Future	Total
	<u>        </u>	<u>        </u>	<u>        </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Due from other funds	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 33,046	\$ 33,046
Due to other funds	-	71,166	71,166
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>104,212</u>	<u>104,212</u>
<b>FUND BALANCES (DEFICITS)</b>			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	(104,212)	(104,212)
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<u>-</u>	<u>(104,212)</u>	<u>(104,212)</u>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

## REGIONAL SCHOOL UNIT NO. 13

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

	Capital Projects Fund	(4500) (4600) School of our Future	Total
REVENUES			
Interest income	\$ -	\$ -	\$ -
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Program expenses	18,815	104,212	123,027
TOTAL EXPENDITURES	<u>18,815</u>	<u>104,212</u>	<u>123,027</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(18,815)</u>	<u>(104,212)</u>	<u>(123,027)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(18,815)	(104,212)	(123,027)
FUND BALANCES (DEFICITS) - JULY 1	<u>18,815</u>	<u>-</u>	<u>18,815</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ -</u>	<u>\$ (104,212)</u>	<u>\$ (104,212)</u>

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

## Permanent Funds

Permanent funds are used to account for assets held by Regional School Unit No. 13 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 Unit or its citizenry. These funds have been established for various purposes including the provision and/or maintenance of scholarships.

REGIONAL SCHOOL UNIT NO. 13

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS  
 JUNE 30, 2016

	Nicholas Stevens Trust	Vincent Ciaravino Trust	Richard Warren Trust	Hermia Toothaker Trust	Taylor/ Knight Foundation	Donations Henry & Norma Zeike	Blaisdell/ Cuccinello Scholarship	Dorothy Smalley Scholarship
<b>ASSETS</b>								
Cash and cash equivalents	\$ 5,921	\$ 1,103	\$ 401	\$ 9,004	\$ -	\$ 2,680	\$ 1,333	\$ 31,357
Investments	11,877	7,064	2,571	57,681	43,489	17,171	8,538	541,071
Due from other funds	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 17,798</b>	<b>\$ 8,167</b>	<b>\$ 2,972</b>	<b>\$ 66,685</b>	<b>\$ 43,489</b>	<b>\$ 19,851</b>	<b>\$ 9,871</b>	<b>\$ 572,428</b>
<b>LIABILITIES</b>								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	17,798	8,167	2,972	66,685	43,489	19,851	9,871	572,428
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>17,798</b>	<b>8,167</b>	<b>2,972</b>	<b>66,685</b>	<b>43,489</b>	<b>19,851</b>	<b>9,871</b>	<b>572,428</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 17,798</b>	<b>\$ 8,167</b>	<b>\$ 2,972</b>	<b>\$ 66,685</b>	<b>\$ 43,489</b>	<b>\$ 19,851</b>	<b>\$ 9,871</b>	<b>\$ 572,428</b>

REGIONAL SCHOOL UNIT NO. 13

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS  
 JUNE 30, 2016

	<u>Worthington Scholarship</u>	<u>Alumni Scholarship</u>	<u>Pricilla Noddin Trust</u>	<u>Isidor Gordon Trust</u>	<u>Bontuit Scholarship</u>	<u>Miriam Pierce Scholarship</u>	<u>Ione Estes Scholarship</u>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 146	\$ 1,654	\$ 14,132	\$ 1,787	\$ 2,155	\$ 3,172	\$ 2,954
Investments	936	10,598	90,530	45,131	13,804	20,317	18,920
Due from other funds	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 1,082</u>	<u>\$ 12,252</u>	<u>\$ 104,662</u>	<u>\$ 46,918</u>	<u>\$ 15,959</u>	<u>\$ 23,489</u>	<u>\$ 21,874</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>	<u>-</u>
<b>FUND BALANCES</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	1,082	12,252	104,662	46,918	15,959	23,489	21,874
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>1,082</u>	<u>12,252</u>	<u>104,662</u>	<u>46,918</u>	<u>15,959</u>	<u>23,489</u>	<u>21,874</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,082</u>	<u>\$ 12,252</u>	<u>\$ 104,662</u>	<u>\$ 46,918</u>	<u>\$ 15,959</u>	<u>\$ 23,489</u>	<u>\$ 21,874</u>

REGIONAL SCHOOL UNIT NO. 13

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS  
 JUNE 30, 2016

	<u>Frederick &amp; Claudette V Scholarship</u>	<u>Seekins Scholarship</u>	<u>Hunter Scholarship</u>	<u>Goss Ruggles Scholarship</u>	<u>Harjula Scholarship</u>	<u>Moran Scholarship</u>	<u>Gutoske Scholarship</u>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 698	\$ 5,613	\$ 1,749	\$ 11,343	\$ 269	\$ 226	\$ 58
Investments	4,472	212,692	80,936	524,653	12,286	10,430	2,664
Due from other funds	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 5,170</u>	<u>\$ 218,305</u>	<u>\$ 82,685</u>	<u>\$ 535,996</u>	<u>\$ 12,555</u>	<u>\$ 10,656</u>	<u>\$ 2,722</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>	<u>-</u>
<b>FUND BALANCES</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	5,170	218,305	82,685	535,996	12,555	10,656	2,722
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>5,170</u>	<u>218,305</u>	<u>82,685</u>	<u>535,996</u>	<u>12,555</u>	<u>10,656</u>	<u>2,722</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 5,170</u>	<u>\$ 218,305</u>	<u>\$ 82,685</u>	<u>\$ 535,996</u>	<u>\$ 12,555</u>	<u>\$ 10,656</u>	<u>\$ 2,722</u>

REGIONAL SCHOOL UNIT NO. 13

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS  
 JUNE 30, 2016

	<u>Brasier Scholarship</u>	<u>Magrogan Scholarship</u>	<u>Stone Scholarship</u>	<u>Griffith Scholarship</u>	<u>Carignan Scholarship</u>	<u>Daggett Trust</u>	<u>Crockett Trust</u>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 136	\$ 151	\$ 62	\$ 350	\$ 615	\$ 95	\$ 170
Investments	6,056	6,982	2,684	16,213	28,437	3,885	-
Due from other funds	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 6,192</u>	<u>\$ 7,133</u>	<u>\$ 2,746</u>	<u>\$ 16,563</u>	<u>\$ 29,052</u>	<u>\$ 3,980</u>	<u>\$ 170</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>	<u>-</u>
<b>FUND BALANCES</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	6,192	7,133	2,746	16,563	29,052	3,980	170
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>6,192</u>	<u>7,133</u>	<u>2,746</u>	<u>16,563</u>	<u>29,052</u>	<u>3,980</u>	<u>170</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 6,192</u>	<u>\$ 7,133</u>	<u>\$ 2,746</u>	<u>\$ 16,563</u>	<u>\$ 29,052</u>	<u>\$ 3,980</u>	<u>\$ 170</u>



REGIONAL SCHOOL UNIT NO. 13

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS  
 JUNE 30, 2016

	Class of 2004	Class of 2005	Mildred Merrill Trust	Class of 2007	Raymond Willis Dow Trust	William Holden Trust	Lindsey Memorial Scholarship
<b>ASSETS</b>							
Cash and cash equivalents	\$ -	\$ -	\$ 1,743	\$ -	\$ 2,117	\$ 188	\$ 833
Investments	-	-	11,168	-	13,560	1,205	9,000
Due from other funds	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,911</u>	<u>\$ -</u>	<u>\$ 15,677</u>	<u>\$ 1,393</u>	<u>\$ 9,833</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>	<u>-</u>
<b>FUND BALANCES</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	12,911	-	15,677	1,393	9,833
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>-</u>	<u>-</u>	<u>12,911</u>	<u>-</u>	<u>15,677</u>	<u>1,393</u>	<u>9,833</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,911</u>	<u>\$ -</u>	<u>\$ 15,677</u>	<u>\$ 1,393</u>	<u>\$ 9,833</u>

REGIONAL SCHOOL UNIT NO. 13

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS  
 JUNE 30, 2016

	WM Stinson Jr. Memorial	Ciaravino School Fund	Barbara Nelson Coffin Scholarship	Joseph B. Pellacani Scholarship	Killeran Scholarship	Billy Hoch Scholarship	Total
<b>ASSETS</b>							
Cash and cash equivalents	\$ 11,358	\$ -	\$ -	\$ 16,554	\$ 449	\$ -	\$ 132,576
Investments	13,645	29,748	36,221	5	20,809	7,268	1,944,717
Due from other funds	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 25,003</u>	<u>\$ 29,748</u>	<u>\$ 36,221</u>	<u>\$ 16,559</u>	<u>\$ 21,258</u>	<u>\$ 7,268</u>	<u>\$ 2,077,293</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>	<u>-</u>
<b>FUND BALANCES</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	25,003	29,748	36,221	16,559	21,258	7,268	2,077,293
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>25,003</u>	<u>29,748</u>	<u>36,221</u>	<u>16,559</u>	<u>21,258</u>	<u>7,268</u>	<u>2,077,293</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 25,003</u>	<u>\$ 29,748</u>	<u>\$ 36,221</u>	<u>\$ 16,559</u>	<u>\$ 21,258</u>	<u>\$ 7,268</u>	<u>\$ 2,077,293</u>

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

## REGIONAL SCHOOL UNIT NO. 13

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

	Nicholas Stevens Trust	Vincent Ciaravino Trust	Richard Warren Trust	Hermia Toothaker Trust	Taylor/ Knight Foundation	Donations Henry & Norma Zeike	Blaisdell/ Cuccinello Scholarship	Dorothy Smalley Scholarship
REVENUES								
Investment income, net of unrealized gains/(losses)	\$ 52	\$ 267	\$ 332	\$ 1,190	\$ (741)	\$ (344)	\$ 822	\$ 32,593
TOTAL REVENUES	<u>52</u>	<u>267</u>	<u>332</u>	<u>1,190</u>	<u>(741)</u>	<u>(344)</u>	<u>822</u>	<u>32,593</u>
EXPENDITURES								
Program expenses	-	66	21	2,019	1,875	155	40	1,117
TOTAL EXPENDITURES	<u>-</u>	<u>66</u>	<u>21</u>	<u>2,019</u>	<u>1,875</u>	<u>155</u>	<u>40</u>	<u>1,117</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>52</u>	<u>201</u>	<u>311</u>	<u>(829)</u>	<u>(2,616)</u>	<u>(499)</u>	<u>782</u>	<u>31,476</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	52	201	311	(829)	(2,616)	(499)	782	31,476
FUND BALANCES - JULY 1, RESTATED	<u>17,746</u>	<u>7,966</u>	<u>2,661</u>	<u>67,514</u>	<u>46,105</u>	<u>20,350</u>	<u>9,089</u>	<u>540,952</u>
FUND BALANCES - JUNE 30	<u>\$ 17,798</u>	<u>\$ 8,167</u>	<u>\$ 2,972</u>	<u>\$ 66,685</u>	<u>\$ 43,489</u>	<u>\$ 19,851</u>	<u>\$ 9,871</u>	<u>\$ 572,428</u>

REGIONAL SCHOOL UNIT NO. 13

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

	<u>Worthington Scholarship</u>	<u>Alumni Scholarship</u>	<u>Pricilla Noddin Trust</u>	<u>Isidor Gordon Trust</u>	<u>Bontuit Scholarship</u>	<u>Miriam Pierce Scholarship</u>	<u>Ione Estes Scholarship</u>
REVENUES							
Investment income, net of unrealized gains/(losses)	\$ 35	\$ 385	\$ 450	\$ 753	\$ 25	\$ 768	\$ (278)
TOTAL REVENUES	<u>35</u>	<u>385</u>	<u>450</u>	<u>753</u>	<u>25</u>	<u>768</u>	<u>(278)</u>
EXPENDITURES							
Program expenses	8	579	10,847	601	123	178	673
TOTAL EXPENDITURES	<u>8</u>	<u>579</u>	<u>10,847</u>	<u>601</u>	<u>123</u>	<u>178</u>	<u>673</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>27</u>	<u>(194)</u>	<u>(10,397)</u>	<u>152</u>	<u>(98)</u>	<u>590</u>	<u>(951)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	27	(194)	(10,397)	152	(98)	590	(951)
FUND BALANCES - JULY 1, RESTATED	<u>1,055</u>	<u>12,446</u>	<u>115,059</u>	<u>46,766</u>	<u>16,057</u>	<u>22,899</u>	<u>22,825</u>
FUND BALANCES - JUNE 30	<u>\$ 1,082</u>	<u>\$ 12,252</u>	<u>\$ 104,662</u>	<u>\$ 46,918</u>	<u>\$ 15,959</u>	<u>\$ 23,489</u>	<u>\$ 21,874</u>

REGIONAL SCHOOL UNIT NO. 13

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

	Frederick & Claudette V Scholarship	Seekins Scholarship	Hunter Scholarship	Goss Ruggles Scholarship	Harjula Scholarship	Moran Scholarship	Gutoske Scholarship
REVENUES							
Investment income, net of unrealized gains/(losses)	\$ 169	\$ (2,742)	\$ (4,600)	\$ (27,287)	\$ (798)	\$ (779)	\$ (63)
TOTAL REVENUES	<u>169</u>	<u>(2,742)</u>	<u>(4,600)</u>	<u>(27,287)</u>	<u>(798)</u>	<u>(779)</u>	<u>(63)</u>
EXPENDITURES							
Program expenses	39	1,191	291	1,896	45	38	10
TOTAL EXPENDITURES	<u>39</u>	<u>1,191</u>	<u>291</u>	<u>1,896</u>	<u>45</u>	<u>38</u>	<u>10</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>130</u>	<u>(3,933)</u>	<u>(4,891)</u>	<u>(29,183)</u>	<u>(843)</u>	<u>(817)</u>	<u>(73)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	130	(3,933)	(4,891)	(29,183)	(843)	(817)	(73)
FUND BALANCES - JULY 1, RESTATED	<u>5,040</u>	<u>222,238</u>	<u>87,576</u>	<u>565,179</u>	<u>13,398</u>	<u>11,473</u>	<u>2,795</u>
FUND BALANCES - JUNE 30	<u>\$ 5,170</u>	<u>\$ 218,305</u>	<u>\$ 82,685</u>	<u>\$ 535,996</u>	<u>\$ 12,555</u>	<u>\$ 10,656</u>	<u>\$ 2,722</u>

## REGIONAL SCHOOL UNIT NO. 13

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

	<u>Brasier Scholarship</u>	<u>Magrogan Scholarship</u>	<u>Stone Scholarship</u>	<u>Griffith Scholarship</u>	<u>Carignan Scholarship</u>	<u>Daggett Trust</u>	<u>Crockett Trust</u>
REVENUES							
Investment income, net of unrealized gains/(losses)	\$ (146)	\$ (167)	\$ (64)	\$ (915)	\$ (1,208)	\$ (94)	\$ (1)
TOTAL REVENUES	<u>(146)</u>	<u>(167)</u>	<u>(64)</u>	<u>(915)</u>	<u>(1,208)</u>	<u>(94)</u>	<u>(1)</u>
EXPENDITURES							
Program expenses	22	25	10	58	103	14	-
TOTAL EXPENDITURES	<u>22</u>	<u>25</u>	<u>10</u>	<u>58</u>	<u>103</u>	<u>14</u>	<u>-</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(168)</u>	<u>(192)</u>	<u>(74)</u>	<u>(973)</u>	<u>(1,311)</u>	<u>(108)</u>	<u>(1)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(168)	(192)	(74)	(973)	(1,311)	(108)	(1)
FUND BALANCES - JULY 1, RESTATED	<u>6,360</u>	<u>7,325</u>	<u>2,820</u>	<u>17,536</u>	<u>30,363</u>	<u>4,088</u>	<u>171</u>
FUND BALANCES - JUNE 30	<u>\$ 6,192</u>	<u>\$ 7,133</u>	<u>\$ 2,746</u>	<u>\$ 16,563</u>	<u>\$ 29,052</u>	<u>\$ 3,980</u>	<u>\$ 170</u>

REGIONAL SCHOOL UNIT NO. 13

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

	<u>Class of 2004</u>	<u>Class of 2005</u>	<u>Mildred Merrill Trust</u>	<u>Class of 2007</u>	<u>Raymond Willis Dow Trust</u>	<u>William Holden Trust</u>	<u>Lindsey Memorial Scholarship</u>
REVENUES							
Investment income, net of unrealized gains/(losses)	\$ 1	\$ (1)	\$ (75)	\$ 10	\$ 16	\$ 46	\$ 394
TOTAL REVENUES	<u>1</u>	<u>(1)</u>	<u>(75)</u>	<u>10</u>	<u>16</u>	<u>46</u>	<u>394</u>
EXPENDITURES							
Program expenses	107	591	602	897	121	11	-
TOTAL EXPENDITURES	<u>107</u>	<u>591</u>	<u>602</u>	<u>897</u>	<u>121</u>	<u>11</u>	<u>-</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(106)</u>	<u>(592)</u>	<u>(677)</u>	<u>(887)</u>	<u>(105)</u>	<u>35</u>	<u>394</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(106)	(592)	(677)	(887)	(105)	35	394
FUND BALANCES - JULY 1, RESTATED	<u>106</u>	<u>592</u>	<u>13,588</u>	<u>887</u>	<u>15,782</u>	<u>1,358</u>	<u>9,439</u>
FUND BALANCES - JUNE 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,911</u>	<u>\$ -</u>	<u>\$ 15,677</u>	<u>\$ 1,393</u>	<u>\$ 9,833</u>

## REGIONAL SCHOOL UNIT NO. 13

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

	WM Stinson Jr. Memorial	Ciaravino School Fund	Barbara Nelson Coffin Scholarship	Joseph B. Pellacani Scholarship	Killeran Scholarship	Billy Hoch Scholarship	Total
<b>REVENUES</b>							
Investment income, net of unrealized gains/(losses)	\$ 1,461	\$ 484	\$ (908)	\$ (88)	\$ (1,521)	\$ (387)	\$ (2,954)
<b>TOTAL REVENUES</b>	<u>1,461</u>	<u>484</u>	<u>(908)</u>	<u>(88)</u>	<u>(1,521)</u>	<u>(387)</u>	<u>(2,954)</u>
<b>EXPENDITURES</b>							
Program expenses	-	-	-	-	74	-	24,447
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74</u>	<u>-</u>	<u>24,447</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>1,461</u>	<u>484</u>	<u>(908)</u>	<u>(88)</u>	<u>(1,595)</u>	<u>(387)</u>	<u>(27,401)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	1,461	484	(908)	(88)	(1,595)	(387)	(27,401)
<b>FUND BALANCES - JULY 1, RESTATED</b>	<u>23,542</u>	<u>29,264</u>	<u>37,129</u>	<u>16,647</u>	<u>22,853</u>	<u>7,655</u>	<u>2,104,694</u>
<b>FUND BALANCES - JUNE 30</b>	<u>\$ 25,003</u>	<u>\$ 29,748</u>	<u>\$ 36,221</u>	<u>\$ 16,559</u>	<u>\$ 21,258</u>	<u>\$ 7,268</u>	<u>\$ 2,077,293</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.

## REGIONAL SCHOOL UNIT NO. 13

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION  
JUNE 30, 2016

	Land and Non-depreciable Assets	Buildings, Building Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Total
Regular education	\$ 221,681	\$ 12,235,025	\$ 2,651,917	\$ -	\$ 15,108,623
Maintenance and operations	56,798	10,964,500	1,201,061	-	12,222,359
Transportation	-	-	2,123,503	-	2,123,503
Administration	-	-	285,512	-	285,512
School lunch program	-	-	219,827	-	219,827
Total General Capital Assets	278,479	23,199,525	6,481,820	-	29,959,824
Less: Accumulated Depreciation	-	(10,258,451)	(4,705,194)	-	(14,963,645)
Net General Capital Assets	\$ 278,479	\$ 12,941,074	\$ 1,776,626	\$ -	\$ 14,996,179

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

REGIONAL SCHOOL UNIT NO. 13

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

	General Capital Assets 7/1/15	Additions	Deletions	General Capital Assets 6/30/16
Regular education	\$ 15,108,623	\$ -	\$ -	\$ 15,108,623
Maintenance and operations	12,204,922	17,437	-	12,222,359
Transportation	1,930,662	192,841	-	2,123,503
Administration	285,512	-	-	285,512
School lunch program	219,827	-	-	219,827
	<hr/>	<hr/>	<hr/>	<hr/>
Total General Capital Assets	29,749,546	210,278	-	29,959,824
Less: Accumulated Depreciation	<u>(14,107,966)</u>	<u>(855,679)</u>	<u>-</u>	<u>(14,963,645)</u>
Net General Capital Assets	<u>\$ 15,641,580</u>	<u>\$ (645,401)</u>	<u>\$ -</u>	<u>\$ 14,996,179</u>

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

REGIONAL SCHOOL UNIT NO. 13

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor Pass-through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Grantor Number	Exepnditures to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
Passed-through State of Maine - Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.556	013-06A-3014-05	\$ -	\$ 121,278
School Lunch	10.555	013-06A-3022-05	-	361,462
Summer Food Service Program	10.559	013-06A-3016-05	-	28,764
Subtotal Child Nutrition Cluster			<u>-</u>	<u>511,504</u>
Food Distribution Cluster:				
Commodity Supplemental Food Program	10.565	N/A	-	42,387
Subtotal Food Distribution Cluster			<u>-</u>	<u>42,387</u>
Fresh Fruits & Veggies	10.582	013-06A-3028-05	-	28,842
Total U.S. Department of Agriculture			<u>-</u>	<u>582,733</u>
U.S. Department of Education				
Passed-through State of Maine - Department of Education:				
Adult Education and Family Literacy Act	84.002	013-06A-6296-64	-	36,761
Title IA	84.010	013-06A-3107-13	-	690,657
Special Education Cluster (IDEA):				
Local Entitlement	84.027	013-06A-3046-12	-	423,334
Local Entitlement - Part B Section 619	84.173	013-06A-6247-13	-	10,207
Subtotal Special Education Cluster (IDEA)			<u>-</u>	<u>433,541</u>
Title VI - Rural Low Income	84.358	013-06A-3005-03	-	36,527
Title IIA	84.367	013-06A-3042-11	-	97,361
Preschool Expansion	84.419B	013-7145	-	359,766
Total U.S. Department of Education			<u>-</u>	<u>1,654,613</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ -</u>	<u>\$ 2,237,346</u>

REGIONAL SCHOOL UNIT NO. 13

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Regional School Unit No. 13 under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Regional School Unit No. 13, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Regional School Unit No. 13.

2. Summary of Significant Accounting Policies

- a. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. The Regional School Unit No. 13 has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.



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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 Directors  
Regional School Unit No. 13  
Rockland, 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, each major fund, and the aggregate remaining fund information of Regional School Unit No. 13 as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Regional School Unit No. 13's basic financial statements, and have issued our report thereon dated February 6, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Regional School Unit No. 13'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 Regional School Unit No. 13's internal control. Accordingly, we do not express an opinion on the effectiveness of Regional School Unit No. 13's internal control.

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

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Regional School Unit No. 13'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  
February 6, 2017



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors  
Regional School Unit No. 13  
Rockland, Maine

Report on Compliance for Each Major Federal Program

We have audited Regional School Unit No. 13's compliance with the types of compliance requirements described in the *OMB Circular Supplement* that could have a direct and material effect on each of Regional School Unit No. 13's major federal programs for the year ended June 30, 2016. Regional School Unit No. 13's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Regional School Unit No. 13's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Regional School Unit No. 13's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Regional School Unit No. 13's compliance.

### Opinion on Each Major Federal Program

In our opinion, Regional School Unit No. 13 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

### Report on Internal Control Over Compliance

Management of Regional School Unit No. 13 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Regional School Unit No. 13's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Regional School Unit No. 13's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*RHR Smith & Company*

Buxton, Maine  
February 6, 2017

REGIONAL SCHOOL UNIT NO. 13

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – INTERNAL CONTROL  
FOR THE YEAR ENDED JUNE 30, 2016

**Section I - Summary of Auditor's Results**

• *Financial Statements*

Type of auditor's report issued : Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no
- Noncompliance material to financial statements noted? yes no

• *Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported  
in accordance with 2 CFR 200.516(a)? yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559	Child Nutrition Cluster
84.027	Special Education Cluster (IDEA)
84.419B	Preschool Expansion

Dollar threshold used to distinguish between type A and B: \$750,000

Auditee qualified as low-risk auditee? yes no

**Section II – Financial Statement Findings**

None

**Section III – Federal Awards Findings and Questioned Costs**

None



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## INDEPENDENT AUDITORS' REPORT ON STATE REQUIREMENTS

Board of Directors  
Regional School Unit No. 13  
Rockland, Maine

We have audited the financial statements of the Regional School Unit No. 13 for the year ended June 30, 2016 and have issued our report thereon dated February 6, 2017. Our audit was made in accordance with auditing standards generally accepted in the United States of America and applicable state and federal laws relating to financial and compliance audits and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit, we reviewed the budgetary controls that are in place, and have reviewed the annual financial report that was submitted to the Maine Department of Education for accuracy. In addition we have reviewed the Regional School Unit No. 13's compliance with applicable provisions of the Maine Finance Act as noted under MRSA Title 20A, section 6051 as we considered necessary in obtaining our understanding.

The results of our procedures indicate that with respect to the items tested, the Regional School Unit No. 13, complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Regional School Unit No. 13 was in noncompliance with, or in violation of, those provisions.

Management has determined that adjustments were necessary to the fiscal books of the Regional School Unit No. 13 and have attached the following schedule as it relates to the reconciliation of audit adjustments to the initial annual financial data submitted to the MEDMS financial system maintained at the Maine Department of Education.

This report is intended solely for the information of the Board of Directors, management and the Maine Department of Education. This report is not intended to be and should not be used by anyone other than the specified parties.

*RHR Smith & Company*

Buxton, Maine  
February 6, 2017

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REGIONAL SCHOOL UNIT NO. 13

RECONCILIATION OF AUDIT ADJUSTMENTS TO ANNUAL FINANCIAL DATA  
SUBMITTED TO THE MEDMS FINANCIAL SYSTEM  
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund (1000)	Special Revenue Funds (2000)	Capital Projects Funds (4000)	Total
June 30 Balance per MEDMS Financial System	\$ 43,567	\$ 321,459	\$ -	\$ 365,026
<b>Revenue Adjustments:</b>				
<b>Other Adjustments:</b>				
Funds incorrect on MEDMS:				
General Fund (1000)	195,530	-	-	195,530
Restricted Grants Local (2020)	-	(59,948)	-	(59,948)
Fast Track (2030)	-	(716)	-	(716)
Stephen and Tabitha King (2070)	-	(1,725)	-	(1,725)
GRAF (2080)	-	257	-	257
College Transition (2215)	-	(9)	-	(9)
Title IA Disadvantaged (2300)	-	(281)	-	(281)
Pre-K Expansion (2450)	-	15,778	-	15,778
MaineCare (2460)	-	10,741	-	10,741
Local Entitlement (2470)	-	(73)	-	(73)
Title VI Rural Low Income (2670)	-	(7,077)	-	(7,077)
Title IIA (2700)	-	18,456	-	18,456
Funds not reported on MEDMS:				
MCASS Fund	-	1,696	-	1,696
Schools of Our Future	-	-	(74,076)	(74,076)
OH/South Thomaston School	-	-	(30,136)	(30,136)
Restatement	(311,546)	-	-	(311,546)
Beginning balance variance	(200,392)	-	-	(200,392)
Audit adjustments	(3,148)	(7,895)	-	(11,043)
Rounding	-	2	-	2
Audited GAAP Basis Fund Balance June 30	<u>\$ (275,989)</u>	<u>\$ 290,665</u>	<u>\$ (104,212)</u>	<u>\$ (89,536)</u>

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**APPENDIX B**

**TOWN OF CUSHING, MAINE  
ANNUAL FINANCIAL STATEMENTS  
AND SUPPORTING SCHEDULES  
FOR THE  
YEAR ENDED DECEMBER 31, 2016**

**(With Report of Independent Auditors Thereon)**

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**TOWN OF CUSHING, MAINE**  
**INDEPENDENT AUDITORS' REPORT AND**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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# Maine Municipal Audit Services, PA

Mindy J. Cyr, CPA

## Independent Auditors' Report

To the Board of Selectmen  
Town of Cushing  
Cushing, Maine

We have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of Town of Cushing, Maine, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

### AUDITOR'S RESPONSIBILITY

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

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

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

### OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate remaining fund information of the Town of Cushing, Maine, as of December 31, 2016, and the respective changes in financial position in accordance with accounting principles generally accepted in the United States of America.

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## OTHER MATTERS

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 5 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.

The budgetary comparison information on page 20 is required by accounting principles generally accepted in the United States of America. This 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. The budgetary comparison schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements.

### Other Information

The other supplemental information section is the responsibility of management and the schedules were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit to the basic financial statements. In our opinion, the other supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Maine Municipal Audit Services, PA

Levant, Maine  
February 1, 2017

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Town of Cushing  
Management's Discussion and Analysis  
For the year ended December 31, 2016

Statement 1

As management of the Town of Cushing, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Cushing for the fiscal year ended December 31, 2016.

**Financial Highlights**

- The assets of the Town of Cushing exceeded its liabilities at the close of the most recent fiscal year by \$3,730,017.66(net position) (Statement 1). Of this amount, \$2,933,675.66(unrestricted net assets) (Statement 1) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town of Cushing's total net assets increased by \$264,345.13( Statement 2) from \$3,465,672.53 on December 31, 2015 to \$3,730,017.66 on December 31, 2016.
- As of the close of the current fiscal year, the Town of Cushing's governmental funds reported combined ending fund balances of \$2,671,244.66 (Statement 3) a increase of \$194,109.32 (Statement 4) in comparison with the prior year.
- At the end of the current fiscal year, unreserved, unassigned fund balance for the general fund was \$1,480,818.78 (Statement 3) or 37% of total general fund expenditures of \$3,998,912.32 (Statement 4).

**Overview of the Financial Statements**

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

Town of Cushing, Maine Statement of Net Position December 31, 2016		Total Governmental Activities
<b>ASSETS:</b>		
<i>Current assets:</i>		
Cash and cash equivalents	\$ 2,584,882.86	
Investments	55,278.83	
Taxes receivable	327,293.41	
Tax liens receivable	41,370.78	
Tax acquired property	<u>2,471.24</u>	
<i>Total current assets</i>		\$ 3,011,297.12
<i>Non-current assets:</i>		
Capital assets, net of accumulated depreciation	<u>763,842.00</u>	
<i>Total non-current assets</i>		<u>763,842.00</u>
<b>TOTAL ASSETS</b>		<b><u>\$ 3,775,139.12</u></b>
<b>LIABILITIES:</b>		
<i>Current liabilities:</i>		
Accounts payable	<u>\$ 43,603.19</u>	
<b>TOTAL LIABILITIES</b>		<b>\$ 43,603.19</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Prepaid property taxes	<u>1,518.27</u>	
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>		<b>1,518.27</b>
<b>NET POSITION:</b>		
Invested in capital assets, net of related debt	\$ 763,842.00	
Restricted	32,500.00	
Unrestricted	<u>2,933,675.66</u>	
<b>TOTAL NET POSITION</b>		<b><u>3,730,017.66</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>		<b><u>\$ 3,775,139.12</u></b>

The accompanying notes are an integral part of this statement.

Town of Cushing, Maine  
Statement of Activities  
For the Year Ended December 31, 2016

Statement 2

	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Total
<b>Governmental activities:</b>					
General government	\$ 247,322.30	\$ 5,052.92	\$ -	\$ (242,269.38)	\$ (242,269.38)
Public safety	97,005.29	42,533.57	1,246.65	(53,225.07)	(53,225.07)
Public works	82,125.11	-	21,951.87	(60,173.24)	(60,173.24)
Health and sanitation	106,832.00	-	-	(106,832.00)	(106,832.00)
Health and welfare	8,875.90	-	667.10	(8,208.80)	(8,208.80)
Culture and recreation	16,774.26	-	476.64	(16,297.62)	(16,297.62)
County tax	294,616.59	-	-	(294,616.59)	(294,616.59)
Education	3,059,235.54	-	-	(3,059,235.54)	(3,059,235.54)
Interest expense	61,438.82	-	-	(61,438.82)	(61,438.82)
Other	101,610.00	-	-	(101,610.00)	(101,610.00)
Depreciation	101,610.00	-	-	(101,610.00)	(101,610.00)
<b>Total governmental activities</b>	<b>4,075,835.81</b>	<b>47,586.49</b>	<b>24,342.26</b>	<b>(4,003,907.06)</b>	<b>(4,003,907.06)</b>
<b>Total primary government</b>	<b>4,075,835.81</b>	<b>47,586.49</b>	<b>24,342.26</b>	<b>(4,003,907.06)</b>	<b>(4,003,907.06)</b>
<b>General revenues:</b>					
Property taxes, levied for general purposes			3,763,322.11	3,763,322.11	
Motor vehicle excise taxes			315,992.02	315,992.02	
Interest and fees			6,524.24	6,524.24	
Licenses and permits			2,299.00	2,299.00	
<b>Grants and contributions not restricted to specific programs:</b>					
Homestead exemption			39,259.00	39,259.00	
State revenue sharing			42,705.22	42,705.22	
Other			2,972.31	2,972.31	
Unrestricted investment earnings			3,784.07	3,784.07	
Miscellaneous revenues			91,394.22	91,394.22	
<b>Total general revenues and transfers</b>			<b>4,268,252.19</b>	<b>4,268,252.19</b>	
Changes in net position			264,345.13	264,345.13	
<b>NET POSITION - BEGINNING</b>			<b>3,465,672.53</b>	<b>3,465,672.53</b>	
<b>NET POSITION - ENDING</b>			<b>\$ 3,730,017.66</b>	<b>\$ 3,730,017.66</b>	

The accompanying notes are an integral part of this statement.

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Town of Cushing, Maine  
Balance Sheet  
Governmental Funds  
December 31, 2016

Statement 3

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 2,582,327.23	\$ 2,555.63	\$ 2,584,882.86
Investments	2,389.22	52,889.61	55,278.83
Taxes receivable	327,293.41	-	327,293.41
Tax liens receivable	41,370.78	-	41,370.78
Tax acquired property	2,471.24	-	2,471.24
Interfund receivables	-	401,667.95	401,667.95
<b>TOTAL ASSETS</b>	<b>\$ 2,955,851.88</b>	<b>\$ 457,113.19</b>	<b>\$ 3,412,965.07</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 43,603.19	\$ -	\$ 43,603.19
Due to other governments	-	-	-
Interfund payables	401,667.95	-	401,667.95
<b>Total liabilities</b>	<b>445,271.14</b>	<b>-</b>	<b>445,271.14</b>
<b>Deferred inflows of resources:</b>			
Prepaid property taxes	1,518.27	-	1,518.27
Deferred property tax revenue	294,931.00	-	294,931.00
<b>Total deferred inflows of resources</b>	<b>296,449.27</b>	<b>-</b>	<b>296,449.27</b>
<b>Fund balances:</b>			
Non-spendable	-	32,500.00	32,500.00
Assigned	732,566.31	401,667.95	1,134,234.26
Unassigned	1,481,565.16	22,945.24	1,504,510.40
<b>Total fund balances</b>	<b>2,214,131.47</b>	<b>457,113.19</b>	<b>2,671,244.66</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 2,955,851.88</b>	<b>\$ 457,113.19</b>	
<i>Amounts reported for governmental activities in the statement of net position (Smt. 1) are different because:</i>			
Depreciable and non-depreciable capital assets as reported in Smt. 1			753,842.00
Deferred property taxes not reported on Smt. 1			294,931.00
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>			<b>\$ 3,730,017.66</b>

The accompanying notes are an integral part of this statement.

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Statement 4

Town of Cushing, Maine  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>			
Property taxes	\$ 3,705,526.11	\$ -	3,705,526.11
Excise taxes	315,992.02	-	315,992.02
Intergovernmental revenue	109,278.79	-	109,278.79
Charges for services	47,586.49	-	47,586.49
Investment income	3,671.77	112.30	3,784.07
Interest and lien fees	6,524.24	-	6,524.24
Licenses and permits	2,299.00	-	2,299.00
Other revenue	91,394.22	-	91,394.22
<b>Total revenues</b>	<b>4,282,272.64</b>	<b>112.30</b>	<b>4,282,384.94</b>
<b>EXPENDITURES:</b>			
General government	247,322.30	-	247,322.30
Public safety	96,957.80	38,343.49	135,301.29
Public works	82,125.11	-	82,125.11
Health and sanitation	106,832.00	-	106,832.00
Health and welfare	8,875.90	-	8,875.90
Culture and recreation	16,774.26	-	16,774.26
County tax	294,616.59	-	294,616.59
Education	3,059,235.54	-	3,059,235.54
Unclassified	86,172.82	-	86,172.82
<b>Total expenditures</b>	<b>3,998,912.32</b>	<b>38,343.49</b>	<b>4,037,255.81</b>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	283,360.32	(38,231.19)	245,129.13
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers in	-	88,501.00	88,501.00
Operating transfers (out)	(89,251.00)	750.00	(88,501.00)
<b>Total other financing sources (uses)</b>	<b>(89,251.00)</b>	<b>89,251.00</b>	<b>-</b>
<i>Net change in fund balances</i>	194,109.32	51,019.81	245,129.13
<b>FUND BALANCES - BEGINNING</b>	<b>2,020,022.15</b>	<b>406,093.38</b>	<b>2,426,115.53</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 2,214,131.47</b>	<b>\$ 457,113.19</b>	<b>\$ 2,671,244.66</b>

The accompanying notes are an integral part of this statement.

(Continued)

Statement 4  
(Continued)

Town of Cushing, 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 December 31, 2016

<b>Net change in fund balances - total governmental funds (Statement 4)</b>	<b>\$ 245,129.13</b>
Amounts reported for governmental activities in the Statement of Activities (Stmnt. 2) are different due to the following items:	
Depreciation expense recorded on Statement of Activities, yet not required to be recorded as expenditure on governmental funds	(101,610.00)
Revenues in the Statement of Activities (Stmnt. 2) that do not provide current financial resources are not reported as revenues in the funds. More specifically, this amount represents the change in deferred property taxes.	57,796.00
Capital outlays expensed on the Governmental Funds report (Stmnt. 4), yet not considered an expense for the purposes of Statement of Activities (Stmnt. 2)	63,030.00
<b>Changes in net position of governmental activities (see Stmnt. 2)</b>	<b>\$ 264,345.13</b>

The accompanying notes are an integral part of this statement.

**TOWN OF CUSHING, MAINE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

Town of Cushing, Maine  
Statement of Fiduciary Net Position  
Fiduciary Funds  
December 31, 2016

		Agency Funds
<b>Assets</b>		
Investments	\$	21,149.17
<b>Total assets</b>	<b>\$</b>	<b>21,149.17</b>
<b>Liabilities</b>		
Due to Recycling Committee	\$	21,149.17
<b>Total liabilities</b>	<b>\$</b>	<b>21,149.17</b>

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Town of Cushing, Maine (the Town) was incorporated on January 30, 1789. The Town operates under a selectperson – town meeting form of government and is incorporated under the laws of the State of Maine.

The accounting policies of the Town conform to U.S. generally accepted accounting principles (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments*, and its amendments, established new financial reporting requirements for governments and caused the Town to restructure much of the information presented in the past. The more significant of the government’s accounting policies are described below.

In evaluating how to define the Town for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GASB Statement No. 14 *The Financial Reporting Entity* as amended by GASB Statement No. 39. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. Based on the criteria, it was determined that no other entities should be included in the Town’s financial statements.

**B. Basis of Presentation**

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 either governmental or business-type.

Government-Wide Financial Statements

The Government-wide financial statements consist of a Statement of Net Position and a Statement of Activities and reports information on all of the non-fiduciary activities of the Town as a whole.

The Statement of Net Position reports all financial and capital resources of the Town and reports the difference between assets and liabilities as “net position” not fund balance or equity. The Statement of Activities shows the degree to which the direct expenses of a given function or segment are offset by program revenue and reflects the “net (expense) revenue” of the Town’s individual functions before applying general revenues. Program revenues include 1) charges to customers for services and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

The accompanying notes are an integral part of this statement.

TOWN OF CUSHING, MAINE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded for the Government-wide financial statements. The focus of governmental and proprietary fund financial statements is on major funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with non-major funds being aggregated and displayed in a single column. The General Fund is always a major fund. Because of the basis of accounting and reporting differences, summary reconciliations to the Government-wide financial statements are presented at the end of each applicable fund financial statement.

**C. Measurement Focus and Basis of Accounting**

Governmental Fund Types

*General Fund* – 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.

*Capital Projects Funds* – Capital projects funds are used to account for financial resources to be used for the acquisitions or construction of major capital facilities.

*Permanent Fund* – This fund is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Fiduciary Fund Type

*Agency Fund* – The agency fund is used to hold funds on behalf of parties other than the Town, including federal and state agencies and public school student activities. Agency funds are custodial in nature and do not involve measurement of results of operations. The Town's agency funds are the Recycling Committee.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting is a conceptual description of the timing of the accounting measurements made.

The Government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting in accordance with GASB #34. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

As a general rule, the effect of interfund activity has been eliminated from the Government-wide financial statements.

TOWN OF CUSHING, MAINE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis concept, revenues are recognized when they become measurable (estimable as to the net amount to be collected) and available as current assets. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

When both restricted and unrestricted resources are available, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Budgets and Budgetary Accounting**

Formal budgetary accounting is employed as a management control for the general fund only. Annual operating budgets are adopted each fiscal year by the registered voters of the Town at the annual Town meeting. Budgets are established in accordance with generally accepted accounting principles. Budgetary control is exercised at the selectmen level, since individual department heads do not exist. All unencumbered budget appropriations lapse at the end of the year unless specifically designated by the Board of Selectmen or required by law.

**E. Assets, Liabilities, Fund Equity, Revenue, Expenditures and Expenses**

Cash and Cash Equivalents

Cash and cash equivalents include currency on hand, demand deposits with financial institutions, and other accounts with an original maturity of three months or less when purchased. Investments are recorded at fair value.

Interfund Receivables and Payables

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts.

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment and infrastructure assets (roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical costs or estimated historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

TOWN OF CUSHING, MAINE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20-40
Infrastructure	30-50
Machinery and equipment	5-20
Vehicles	10-35

**Net Position and Fund Balances**

In the Government-wide financial statements, the difference between the Town's total assets and total liabilities represents net position. Net position displays three components – invested in capital assets, net of related debt; restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net position represents the net assets available for future operations.

In the Fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. These designations are categorized as follows:

*Non-spendable* – Funds that are not in spendable form, such as funds that are legally required to be maintained in tact (corpus of a permanent fund).

*Assigned* – Funds intended to be used for specific purposes set by the Board of Selectmen.

*Unassigned* – Funds available for any purpose.

**Deferred Revenue**

Deferred revenue arises when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenue arises when resources are received by the Town before it has legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

**Compensated Absences**

Vacation and sick pay benefits are substantially non-vesting and are not material. Therefore, no liability has been recorded in the financial statements for the year ended December 31, 2016.

TOWN OF CUSHING, MAINE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property Taxes**

Property taxes for the current year were committed on August 25, 2016, on the assessed value listed as of April 1, 2016, for all real and personal property located in the Town. Payment of taxes was due on December 16, 2016, with interest at 6% on all tax bills unpaid as of the due date.

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 \$101,053.00 for the year ended December 31, 2016.

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

**Risk Management**

The Town pays insurance premiums to certain agencies to cover risks that may occur in normal operations. The Town purchases employee fidelity bond coverage. There have been no significant reductions in insurance coverage from the prior year. No settlements of claims have exceeded insurance coverage in the current year.

The Town is a member of the Maine Municipal Association – Worker Compensation Trust Fund (“Fund”). The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain lower costs for worker compensation coverage and develop a comprehensive loss control program. The Town pays an annual premium to the Fund for its workers compensation coverage. The Town's agreement with the Fund provides that the fund will be self-sustaining through member premiums and will provide, through commercial companies reinsurance contracts, individual stop loss coverage for member Towns' claims in excess of \$400,000, with an excess limit of \$2,000,000.

The Town is a member of the Maine Municipal Association – Property Casualty Pool (“Pool”). The Pool was created to obtain lower rates for its members. The Town pays an annual premium for its property and liability coverage. Under the property coverage portion of the Pool, coverage is provided, after the deductible is met, to \$200,000,000. Under the liability portion of the Pool, coverage is provided, after the deductible is met, to \$1,000,000.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates are used to determine depreciation expense. Actual results could differ from those estimates.



**TOWN OF CUSHING, MAINE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**2. DEPOSITS AND INVESTMENTS**

Deposits

Custodial credit risk of deposits is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized or collateralized by securities held by the pledging financial institution's trust department but not in the Town's name. At December 31, 2016, cash deposits had a carrying value of \$2,584,882.86. Of the deposited amounts, \$250,000 per bank was protected by depository insurance, with additional protection provided by the Camden National Bank High Tier Rate Repurchase Account. Accordingly, the Town was not exposed to custodial credit risk at December 31, 2016.

Investments

The Town has not adopted a formal investment policy, but instead follows state statutes, which authorize the Town to invest in certificates of deposit, 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, certificates of deposit and repurchase agreements. These investment policies apply to all Town funds. The Town had \$55,278.83 invested in certificates of deposit at Rockland Savings Bank, and \$21,149.17 invested in mutual funds at Wells Fargo at December 31, 2016 all of which were protected by FDIC insurance.

**3. CAPITAL ASSETS**

Governmental activities:	Balance 1/1/16	Additions	Deletions	Balance 12/31/16
Land	\$ 22,500.00	\$ -	\$ -	\$ 22,500.00
Buildings/Improvements	288,173.00	-	-	288,173.00
Equipment	257,495.00	-	-	257,495.00
Infrastructure	462,321.00	-	-	462,321.00
Vehicles	703,997.00	63,030.00	-	767,027.00
Total capital assets being depreciated	1,711,986.00	63,030.00	-	1,775,016.00
Less accumulated depreciation				
Buildings/Improvements	(157,058.00)	(11,055.00)	-	(168,113.00)
Equipment	(145,536.00)	(11,318.00)	-	(156,854.00)
Infrastructure	(166,746.00)	(34,719.00)	-	(201,465.00)
Vehicles	(462,724.00)	(44,518.00)	-	(507,242.00)
Total accum deprec.	(932,064.00)	(101,610.00)	-	(1,033,674.00)
Total capital assets being depreciated, net	779,922.00	(38,580.00)	-	741,342.00
<b>Governmental activities Capital assets, net</b>	<b>\$ 802,422.00</b>	<b>\$ (38,580.00)</b>	<b>\$ -</b>	<b>\$ 763,842.00</b>

**TOWN OF CUSHING, MAINE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**3. CAPITAL ASSETS (CONTINUED)**

Depreciation expense can be allocated by department as follows:

Public safety	\$ 32,336.00
Public works	58,779.00
Culture & recreation	8,022.00
GRCM	<u>2,473.00</u>
	<u>\$ 101,610.00</u>

**4. PENDING LITIGATION**

According to Town management, there are no matters that would result in adverse losses, claims, or assessments against the Town through the date of the audit report.

**5. ASSIGNED BALANCES**

The Board of Selectmen has the authority to assign amounts for specific future purposes. Approved assigned balances at December 31, 2016 consist of:

<i>General Fund:</i>	
Cushing rescue squad	\$ 3,080.11
Assessor's account	2,965.82
Incidentals	2,510.99
Planning board	2,688.45
Administrative wages	24,372.36
Fire station operations	4,775.03
Payroll taxes	3,452.22
Town officer's salaries	1,780.00
Alarm/telephone system	798.00
Dry hydrant	1,023.81
Ambulance maintenance	1,918.76
Animal welfare	1,698.26
Waldoboro transfer station	592.58
Town roads – maintenance	42,375.89
Snow removal	7,409.76
Local road assistance	43,104.00
Snow plow equipment operations	7,642.82
General assistance	2,619.22
Town buildings repair and maintenance	9,712.59
Pleasant View cemetery	286.78
Harbormaster	1,653.91
Recreation	4,247.21
Town garage	2,852.54
Library	2,500.00

**TOWN OF CUSHING, MAINE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

Schedule A

**5. ASSIGNED BALANCES (CONTINUED)**

Revaluation	\$ 3,303.18
Community center operations	7,836.31
Professional services	8,439.69
Furniture and fixtures	2,465.56
Recreation field	487.02
Vehicle excise tax	336,636.83
Boat excise tax	71,244.25
Fire department	25,914.91
Emergency management	5,212.28
Computer account	2,976.48
Community center improvements	4,346.51
FD working account	1,629.25
George's River Clam Management	78,107.45
Town truck maintenance	7,406.02
Total	<u>\$ 732,566.31</u>
 <i>Capital Projects Fund:</i>	
Ambulance replacement	\$ 94,934.20
Fire truck replacement	89,782.82
Sander replacement	5,000.00
Town truck replacement	36,950.93
Public water access	175,000.00
Total	<u>\$ 401,667.95</u>

**6. RELATED PARTY TRANSACTIONS**

The Town rents a loader from a selectman of the Town. The total paid for rental for the year ended December 31, 2016, was approximately \$8,479.00. The transaction was consummated on terms equivalent to those that prevail in arm's-length transactions, and the engaged selectman was not involved in the decision making process.

**7. SUBSEQUENT EVENTS**

Management has made an evaluation of subsequent events to and including the audit report date, which was the date the financial statements were available to be issued, and determined that any subsequent events that would require recognition or disclosure have been considered in the preparation of the financial statements.

**Town of Cushing, Maine  
General Fund  
Budgetary Comparison Schedule  
For the Year Ended December 31, 2016**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget- Positive (negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 3,761,324.58	\$ 3,761,324.58	\$ 3,705,526.11	\$ (55,798.47)
Excise taxes	263,500.00	263,500.00	315,992.02	52,492.02
Intergovernmental revenue	85,282.55	108,700.30	109,278.79	578.49
Charges for services	-	47,586.49	47,586.49	-
Investment income	-	-	3,671.77	3,671.77
Interest and lien fees	-	-	6,524.24	6,524.24
Licenses and permits	-	-	2,299.00	2,299.00
Other revenues	-	69,325.24	91,394.22	22,068.98
<i>Total revenues</i>	<u>4,110,107.13</u>	<u>4,250,436.61</u>	<u>4,282,272.64</u>	<u>31,836.03</u>
<b>EXPENDITURES</b>				
General government	259,227.00	296,698.99	247,322.30	49,376.69
Public safety	70,940.00	142,210.21	96,957.80	45,252.41
Public works	73,000.00	192,916.14	82,125.11	110,791.03
Health and sanitation	103,445.00	107,424.58	106,832.00	592.58
Health and welfare	8,640.00	11,449.12	8,875.90	2,573.22
Culture and recreation	19,000.00	33,691.31	16,774.26	16,917.05
County tax	294,616.59	294,616.59	294,616.59	-
Education	3,059,235.54	3,059,235.54	3,059,235.54	-
Unclassified	40,950.00	186,054.91	86,172.82	99,882.09
<i>Total expenditures</i>	<u>3,929,054.13</u>	<u>4,324,297.39</u>	<u>3,998,912.32</u>	<u>325,385.07</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>181,053.00</u>	<u>(73,860.78)</u>	<u>283,360.32</u>	<u>(293,549.04)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in (out)	(80,000.00)	(83,500.00)	(89,251.00)	5,751.00
<i>Total other financing sources</i>	<u>(80,000.00)</u>	<u>(83,500.00)</u>	<u>(89,251.00)</u>	<u>5,751.00</u>
<i>Net changes in fund balances</i>	<u>101,053.00</u>	<u>(157,360.78)</u>	<u>194,109.32</u>	<u>(287,798.04)</u>
<b>FUND BALANCES - BEGINNING</b>			<u>2,020,022.15</u>	
<b>FUND BALANCES - ENDING</b>			<u>\$ 2,214,131.47</u>	

Schedule B

Town of Cushing, Maine  
Combining Balance Sheet  
All Other Non-Major Governmental Funds  
December 31, 2016

	Capital Project Funds	Permanent Funds	Total Other Governmental Funds
<b>ASSETS:</b>			
Cash and cash equivalents	\$ -	\$ 2,555.63	\$ 2,555.63
Investments	-	52,889.61	52,889.61
Interfund Receivables	401,667.95	-	401,667.95
<b>TOTAL ASSETS</b>	<b>\$ 401,667.95</b>	<b>\$ 55,445.24</b>	<b>\$ 457,113.19</b>
<b>LIABILITIES AND FUND BALANCE:</b>			
<i>Fund Balance:</i>			
Non-spendable	\$ -	\$ 32,500.00	\$ 32,500.00
Assigned	401,667.95	-	401,667.95
Unassigned	-	22,945.24	22,945.24
<i>Total fund balance</i>	401,667.95	55,445.24	457,113.19
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 401,667.95</b>	<b>\$ 55,445.24</b>	<b>\$ 457,113.19</b>

Schedule C

Town of Cushing, Maine  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance  
All Other Non-Major Governmental Funds  
For the Year Ended December 31, 2016

	Capital Project Funds	Permanent Funds	Total Other Governmental Funds
<b>REVENUES:</b>			
Interest Income	\$ -	\$ 112.30	\$ 112.30
<i>Total revenues</i>	-	112.30	112.30
<b>EXPENDITURES:</b>			
Miscellaneous	38,343.49	-	38,343.49
<i>Total expenditures</i>	38,343.49	-	38,343.49
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(38,343.49)</b>	<b>112.30</b>	<b>(38,231.19)</b>
<b>OTHER FINANCING SOURCES (USES) OF FUNDS:</b>			
Transfer from (to) General Fund	88,501.00	750.00	89,251.00
<i>Total other financing sources (uses)</i>	88,501.00	750.00	89,251.00
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>50,157.51</b>	<b>862.30</b>	<b>51,019.81</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>351,510.44</b>	<b>54,582.94</b>	<b>406,093.38</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 401,667.95</b>	<b>\$ 55,445.24</b>	<b>\$ 457,113.19</b>

Schedule D

Town of Cushing, Maine  
 Schedule of Property Valuation, Assessment and Appropriations  
 General Fund  
 For the Year Ended December 31, 2016

<i>Assessed Valuation:</i>	
Real estate valuation	\$ 288,916,160.00
Personal property valuation	<u>416,500.00</u>
<b>Total valuation</b>	<u>289,332,660.00</u>
<i>Tax Commitment:</i>	
Tax assessment at \$13.00 per thousand	<u>3,761,324.58</u>
<i>Reconciliation of Commitment with Appropriation:</i>	
Current year tax commitment, as above	3,761,324.58
Estimated revenues	348,782.55
Appropriated from surplus	-
Budgeted transfers in (out)	<u>(80,000.00)</u>
<b>Appropriations per original budget</b>	<u>4,030,107.13</u>
<i>Overlay</i>	<u>(101,053.00)</u>
<b>TOTAL APPROPRIATIONS PER ORIGINAL BUDGET</b>	<u>\$ 3,929,054.13</u>

Schedule E

Town of Cushing, Maine  
 Schedule of Taxes Receivable  
 General Fund  
 December 31, 2016

<i>Taxes receivable:</i>	
Real estate	\$ 321,878.91
Personal property	<u>5,414.50</u>
	\$ 327,293.41
<i>Tax liens receivable:</i>	
2015	<u>41,370.78</u>
	<u>41,370.78</u>
<b>TOTAL TAXES AND TAX LIENS RECEIVABLE</b>	<u>\$ 368,664.19</u>

Town of Cushing, Maine  
Schedule of Departmental Operations  
For the Year Ended December 31, 2016

	Balance		Additional Appropriations	Total Available	Expenditures	Balances	
	1/1/2016	Appropriations				Lapsed	Carried
<b>GENERAL GOVERNMENT</b>							
Town officers' salaries	\$ 745.84	\$ 46,573.00	\$ 1,780.00	\$ 49,098.84	\$ 46,573.00	\$ 745.84	\$ 1,780.00
Assessor's account	4,791.76	28,000.00	-	32,791.76	29,825.94	-	2,965.82
Administrative wages	7,033.96	165,000.00	5,052.92	177,086.88	92,714.52	-	24,372.36
Incidentals	2,556.18	13,000.00	(501.00)	15,055.18	12,044.73	-	3,010.45
Alarm/Telephone system	354.00	1,000.00	-	1,354.00	556.00	-	798.00
County dispatching	-	40,384.00	1.00	40,385.00	40,385.00	-	-
MMA dues	-	2,260.00	-	2,260.00	-	-	-
Insurance	3,955.10	16,000.00	-	19,955.10	19,955.10	-	-
Planning board account	2,844.80	-	250.00	3,094.80	406.35	-	2,688.45
Revaluation account	3,303.18	-	-	3,303.18	-	-	3,303.18
Town buildings repair/maintenance	3,029.25	7,000.00	2,275.00	12,304.25	2,591.66	-	9,712.59
<b>Total</b>	<b>28,614.07</b>	<b>259,237.00</b>	<b>8,857.92</b>	<b>296,698.99</b>	<b>247,322.30</b>	<b>745.84</b>	<b>48,630.85</b>
<b>PUBLIC SAFETY</b>							
Fire department	6,969.76	58,940.00	-	65,909.76	39,994.85	-	25,914.91
Fire department working account	560.25	-	1,069.00	1,629.25	-	-	1,629.25
Emergency Management	4,132.28	-	1,246.65	5,378.93	166.65	-	5,212.28
Fire station operations	2,863.66	10,000.00	-	12,863.66	8,088.63	-	4,775.03
Dry hydrant account	1,023.81	-	-	1,023.81	-	-	1,023.81
Ambulance maintenance	2,156.31	-	-	2,156.31	237.55	-	1,918.76
Animal welfare	941.86	2,000.00	904.00	3,845.86	2,147.60	-	1,698.26
Cushing rescue squad	6,869.06	-	42,533.57	49,402.63	46,322.52	-	3,080.11
<b>Total</b>	<b>25,516.99</b>	<b>70,940.00</b>	<b>45,753.22</b>	<b>142,210.21</b>	<b>96,957.80</b>	<b>-</b>	<b>45,252.41</b>

Town of Cushing, Maine  
Schedule of Departmental Operations  
For the Year Ended December 31, 2016

	Balance		Additional Appropriations	Total Available	Expenditures	Balances	
	1/1/2016	Appropriations				Lapsed	Carried
<b>PUBLIC WORKS</b>							
Town roads - maintenance	57,057.53	-	282.00	57,339.53	14,963.64	-	42,375.89
Snow removal	5,812.13	50,000.00	-	55,812.13	48,402.37	-	7,409.76
Local road assistance	21,600.00	-	21,504.00	43,104.00	-	-	43,104.00
Snow plow equipment operations	11,841.11	-	-	11,841.11	4,198.29	-	7,642.82
Town garage	(0.00)	5,000.00	-	5,000.00	2,147.46	-	2,852.54
Snow plow truck maintenance (86-078&5-01)	1,371.50	18,000.00	447.87	19,819.37	12,413.35	-	7,406.02
<b>Total</b>	<b>97,682.27</b>	<b>73,000.00</b>	<b>22,233.87</b>	<b>192,916.14</b>	<b>82,125.11</b>	<b>-</b>	<b>110,791.03</b>
<b>HEALTH AND SANITATION</b>							
Waldoboro transfer station	3,124.58	102,000.00	-	105,124.58	104,532.00	-	592.58
Septic tank waste contract	855.00	1,445.00	-	2,300.00	2,300.00	-	-
<b>Total</b>	<b>3,979.58</b>	<b>103,445.00</b>	<b>-</b>	<b>107,424.58</b>	<b>106,832.00</b>	<b>-</b>	<b>592.58</b>
<b>HEALTH AND WELFARE</b>							
General assistance	2,142.02	1,000.00	667.10	3,809.12	1,189.90	-	2,619.22
Social agencies	-	7,640.00	-	7,640.00	7,686.00	(46.00)	-
<b>Total</b>	<b>2,142.02</b>	<b>8,640.00</b>	<b>667.10</b>	<b>11,449.12</b>	<b>8,875.90</b>	<b>(46.00)</b>	<b>2,619.22</b>
<b>CULTURE AND RECREATION</b>							
Cushing recreation	3,321.50	3,000.00	-	6,321.50	2,074.29	-	4,247.21
Recreation field	5,453.84	-	-	5,453.84	4,966.82	-	487.02
Community center operations	2,469.46	15,000.00	-	17,469.46	9,633.15	-	7,836.31
Capital improvements (community center)	3,446.51	1,000.00	-	4,446.51	100.00	-	4,346.51
<b>Total</b>	<b>14,691.31</b>	<b>19,000.00</b>	<b>-</b>	<b>33,691.31</b>	<b>16,774.26</b>	<b>-</b>	<b>16,917.05</b>

Town of Cushing, Maine  
Schedule of Departmental Operations  
For the Year Ended December 31, 2016

	Balance 1/1/2016	Appropriations	Additional Appropriations	Total Available	Expenditures	Balances Lapsed	Carried
<b>COUNTY TAX</b>	-	294,616.59	-	294,616.59	294,616.59	-	-
<b>EDUCATION</b>	-	3,059,235.54	-	3,059,235.54	3,059,235.54	-	-
<b>UNCLASSIFIED</b>	-	-	-	-	-	-	-
Ancient cemeteries	-	2,750.00	200.00	2,950.00	2,950.00	-	-
Pleasant view cemetery	106.78	3,500.00	-	3,606.78	3,300.00	-	286.78
Norton cemetery	-	2,700.00	300.00	3,000.00	3,000.00	-	-
Clam management	-	3,000.00	-	3,000.00	3,000.00	-	-
Professional services	13,275.01	7,000.00	-	20,275.01	11,995.32	-	8,439.69
Library	-	2,500.00	-	2,500.00	-	-	2,500.00
Computer	8,539.96	2,000.00	-	10,539.96	7,563.48	-	2,976.48
Harbor masters account	2,185.72	-	-	2,185.72	531.81	-	1,653.91
Payroll taxes	2,162.16	16,000.00	-	18,162.16	14,709.84	-	3,452.22
Tide water coalition	-	1,500.00	-	1,500.00	1,500.00	-	-
George's River Clam Management	61,845.38	-	53,816.37	115,661.75	37,554.30	-	78,107.45
Furniture and fixtures	2,573.53	-	-	2,573.53	107.87	-	2,465.56
<b>Total</b>	<b>90,788.54</b>	<b>40,950.00</b>	<b>54,316.37</b>	<b>186,054.91</b>	<b>86,172.82</b>	<b>-</b>	<b>99,882.09</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 263,414.78</b>	<b>\$ 3,929,054.13</b>	<b>\$ 131,828.48</b>	<b>\$ 4,324,297.39</b>	<b>\$ 3,998,912.32</b>	<b>\$ 699.84</b>	<b>\$ 324,685.23</b>

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**APPENDIX C**

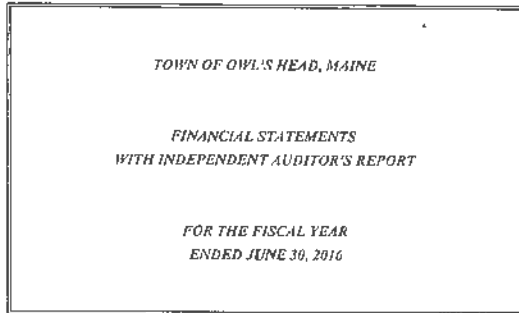
**TOWN OF OWLS HEAD, MAINE  
ANNUAL FINANCIAL STATEMENTS  
AND SUPPORTING SCHEDULES  
FOR THE  
YEAR ENDED JUNE 30, 2016**

**(With Report of Independent Auditors Thereon)**

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**TOWN OF OWL'S HEAD  
 FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES  
 JUNE 30, 2016**



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# James W. Wadman

Certified Public Accountant

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Ronald C. Bean, C.P.A.  
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Amy E. Atherton, C.P.A.

## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Selectmen  
Town of Owl's Head  
P.O. Box 128  
Owl's Head, ME 04854

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Owl's Head, Maine, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Owl's Head, 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.

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Owl's Head, Maine, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### 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 3-8 and 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Owl's Head, Maine's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements 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 August 5, 2016, on our consideration of the Town of Owl's Head, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Owl's Head, Maine's internal control over financial reporting and compliance.

Respectfully Submitted,

*James W. Wadman, CPA*

James W. Wadman, C.P.A.

Ellsworth, Maine  
August 5, 2016

**TOWN OF OWL'S HEAD, MAINE**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**

Management of the Town of Owl's Head, Maine provides this *Management's Discussion and Analysis* of the Town's financial performance for readers of the Town's financial statements. This narrative overview and analysis of the financial activities of the Town is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the financial statements and accompanying notes that follow.

The financial statements herein include all of the activities of the Town of Owl's Head, Maine (the Town) using the integrated approach as prescribed by Government Accounting Standards Board (GASB) Statement No. 34.

**FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT**

**Government-wide Highlights:**

**Net Position** – The assets of the Town exceeded its liabilities at fiscal year ending June 30, 2016 by \$3,189,087 (presented as "net position"). Of this amount, \$1,088,504 was reported as "unrestricted net position". Unrestricted net position represents the amount available to be used to meet the Town's ongoing obligations to citizens and creditors.

**Changes in Net Position** – The Town's total net position increased by \$820,945 (a 34.7% increase) for the fiscal year ended June 30, 2016. Net position of governmental activities increased by \$824,606 (a 48.3% increase), while net position of business-type activities showed a decrease of \$3,661 (a .6% decrease).

**Fund Highlights:**

**Governmental Funds** – Fund Balances – As of the close of the fiscal year ended June 30, 2016, the Town's governmental funds reported a combined ending fund balance of \$1,019,213 with \$884,610 being general unassigned fund balance. This unassigned fund balance represents approximately 17.9% of the total general fund expenditures for the year.

**Long-term Debt:**

The Town's total long-term debt obligations decreased by \$25,526 (8.4%) during the current fiscal year. Existing debt obligations were retired according to schedule.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information (budgetary comparison) and other supplementary information. These components are described below:

**Government-wide Financial Statements**

The Government-wide financial statements present the financial picture of the Town from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the Town (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain elimination entries have occurred as prescribed by the statement in regards to inter-fund activity, payables and receivables.

The government-wide financial statements can be found on pages 9-10 of this report.

**Fund Financial Statements**

The fund financial statements include statements for each of the three categories of activities – governmental, business-type and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The business-type activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are used to account

for resources held for the benefit of parties outside the Town government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Town's own programs. Reconciliation of the fund financial statements to the Government-wide financial statements is provided to explain the differences created by the integrated approach.

The basic governmental fund financial statements can be found on pages 11-13 of this report.

The basic proprietary fund financial statements can be found on pages 14-16.

The fiduciary fund financial statements can be found on pages 17-18 of this report.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found on pages 19-33 of this report.

**Required Supplementary Information**

This section includes a budgetary comparison schedule, which includes a reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the general fund as presented in the governmental fund financial statements (if necessary).

Required supplementary information can be found on page 34 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position**

63.7% of the Town's net position reflects its net investment in capital assets such as land, buildings, equipment and infrastructure (roads, bridges and other immovable assets), less any related debt used to acquire those assets that are still outstanding. The Town uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although, the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

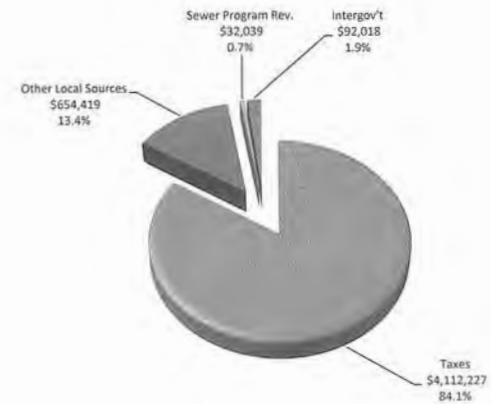
	Governmental Activities	Business-like Activities	Total 2016	Total 2015
Current Assets	1,175,711	5,092	1,180,803	1,296,713
Capital Assets	1,710,602	640,888	2,351,490	1,456,841
<b>Total Assets</b>	<b>2,886,313</b>	<b>645,980</b>	<b>3,532,293</b>	<b>2,753,554</b>
Current Liabilities	93,290	(48,724)	44,566	56,260
Other Liabilities	253,527	38,829	292,356	321,033
<b>Total Liabilities</b>	<b>346,817</b>	<b>(9,895)</b>	<b>336,922</b>	<b>377,293</b>
Prepaid Taxes	6,284		6,284	8,119
<b>Deferred Inflows of Resources</b>	<b>6,284</b>	-	<b>6,284</b>	<b>8,119</b>
Net Investment in Capital Assets	1,430,713	599,748	2,030,461	1,101,444
Restricted	70,122		70,122	68,678
Unrestricted	1,032,377	56,127	1,088,504	1,198,020
<b>Total Net Position</b>	<b>2,513,212</b>	<b>655,875</b>	<b>3,189,087</b>	<b>2,368,142</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>2,886,313</b>	<b>645,980</b>	<b>3,532,293</b>	<b>2,753,554</b>

**Changes in Net Position**

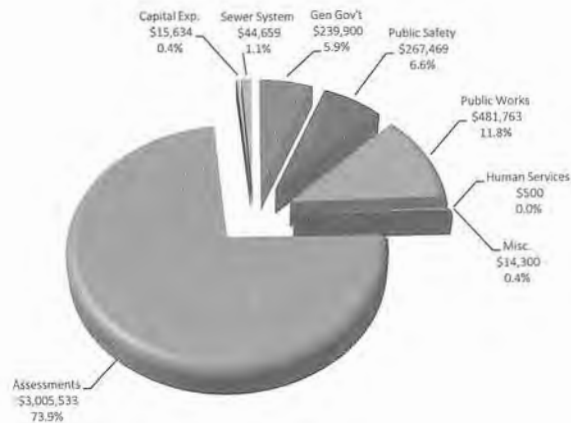
Approximately 84.1% of the Town's total revenue came from property and excise taxes, approximately 1.9% came from State subsidies and grants, and approximately 14.0% came from services, investment earnings and other sources. Depreciation expense on the Town's governmental and business-like activity assets represents \$96,445 of the total expenses for the fiscal year.

	Governmental Activities	Business-like Activities	Total 2016	Total 2015
<b>Revenues:</b>				
Taxes	4,112,227		4,112,227	3,779,318
Program Revenues		31,980	31,980	32,059
Intergovernmental Revenues	92,018		92,018	82,415
Donation of Land	586,030		586,030	
Other Local Sources	68,389	59	68,448	82,322
<b>Total</b>	<b>4,858,664</b>	<b>32,039</b>	<b>4,890,703</b>	<b>3,976,114</b>
<b>Expenses:</b>				
General Government	239,900		239,900	253,819
Public Safety	267,469		267,469	259,756
Public Works	481,763		481,763	467,261
Human Services	500		500	2,463
Miscellaneous	14,300		14,300	17,251
Assessments	3,005,533		3,005,533	2,791,039
Capital Expenditures	15,634		15,634	3,945
Sewer System		44,659	44,659	53,215
Transfers	8,959	(8,959)	-	-
<b>Total</b>	<b>4,034,058</b>	<b>35,700</b>	<b>4,069,758</b>	<b>3,848,749</b>
<b>Changes in Net Position</b>	<b>824,606</b>	<b>(3,661)</b>	<b>820,945</b>	<b>127,365</b>

**Revenues By Source - Governmental and Business-Like Activities**



## Expenditures By Sources - Governmental and Business-Like Activities



### FINANCIAL ANALYSIS OF THE TOWN'S INDIVIDUAL FUNDS

#### Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Town's financing requirements. In particular, undesignated fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the Town's governmental funds reported ending fund balances of \$1,019,213, a decrease of \$95,207 in comparison with the prior year. Approximately 86.8 percent of this total amount constitutes unassigned fund balance. The remainder is assigned to indicate that it is not available for spending because it has been committed to liquidate contracts and commitments of the prior fiscal year or for a variety of other purposes.

Variances between actual General Fund revenues and expenditures and the final amended budget included the following:

- \$30,205 positive variance in excise taxes due to budgeting conservatively and people buying newer vehicles due to lower interest rates and a better economic outlook.
- \$26,387 positive variance in property taxes due to supplemental taxes in the amount of \$3,986 and unearned property tax adjustment of \$22,401.
- \$15,351 positive variance in legal services due to budgeting more than necessary but not needing the legal services this year.
- \$9,076 positive variance in secretary and (\$6,903) negative variance in treasurer due to personnel changes during the year.

#### Proprietary Funds

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

#### CAPITAL ASSET ADMINISTRATION

##### Capital Assets

The Town's investment in capital assets for its governmental and business-like activities amounts to \$3,481,387, net of accumulated depreciation of \$1,129,897, leaving a net book value of \$2,351,490. Current year additions include \$105,869 for paving, land in the amount of 308,285 and donated land in the amount of \$586,030.

Additional information on the Town's capital assets can be found in Note 3, C of the notes to the financial statements on pages 29-30 of this report.

#### REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all citizens, taxpayers, investors and creditors. This financial report seeks to demonstrate the Town's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Town of Owl's Head, P.O. Box 128, Owl's Head, ME 04854.

**TOWN OF OWL'S HEAD  
STATEMENT OF NET POSITION  
JUNE 30, 2016**

Exhibit A

Assets	Primary Government		Component Unit	
	Governmental Activities	Business-Type Activities	Total	Fire Department
Cash and Equivalents	921,717	2,369	924,086	7,305
Receivables				
Taxes	215,954		215,954	
Tax Liens	18,859		18,859	
Sewer User Fees, net of Allowance for Doubtful Accounts		2,723	2,723	
Due From Other Governments	11,127		11,127	
Due From Fiduciary Fund	8,054		8,054	
Capital Assets:				
Land	905,315		905,315	
Other Capital Assets, net of Accumulated Depreciation	805,287	640,888	1,446,175	
<b>Total Assets</b>	<b>2,886,313</b>	<b>645,980</b>	<b>3,532,293</b>	<b>7,305</b>
<i>Liabilities, Deferred Inflows of Resources and Net Position</i>				
Liabilities				
Accounts Payable	7,239		7,239	
Due to Other Governments	5,146		5,146	
Payroll Taxes Payable	1,620		1,620	
Accrued Wages Payable	1,339		1,339	
Internal Balances	51,584	(51,584)	-	
Accrued Interest Payable		549	549	
Long-term Liabilities:				
Due within one year	26,362	2,311	28,673	
Due in more than one year	253,527	38,829	292,356	
<b>Total Liabilities</b>	<b>346,817</b>	<b>(9,895)</b>	<b>336,922</b>	<b>-</b>
Deferred Inflows of Resources				
Prepaid Taxes	6,284		6,284	
<b>Net Position</b>				
Net Investment in Capital Assets	1,430,713	599,748	2,030,461	
Restricted	70,122		70,122	
Unrestricted	1,032,377	56,127	1,088,504	7,305
<b>Total Net Position</b>	<b>2,533,212</b>	<b>655,875</b>	<b>3,189,087</b>	<b>7,305</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>2,886,313</b>	<b>645,980</b>	<b>3,532,293</b>	<b>7,305</b>

**TOWN OF OWL'S HEAD  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

Exhibit B

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Business-Like Activities
	Fees, Fines, and Charges for Services	Operating Grants	Total	Primary Government		Total	
				Governmental Activities	Business-Like Activities		
<b>Governmental Activities</b>	<b>Expenses</b>						
General Government	239,900	14,184		(225,716)		(225,716)	
Public Safety	267,459	7,377		(260,092)		(260,092)	
Public Works	481,763	13,894	21,556	(446,313)		(446,313)	
Human Services	500			(500)		(500)	
Miscellaneous	14,300			(14,300)		(14,300)	
Assessments	3,005,533			(3,005,533)		(3,005,533)	
Capital Expense	15,634			(15,634)		(15,634)	
<b>Total Governmental Activities</b>	<b>4,025,099</b>	<b>35,455</b>	<b>21,556</b>	<b>(3,968,088)</b>		<b>(3,968,088)</b>	
<b>Business-type Activities</b>							
Sewer Fund	44,639	31,980			(12,679)	(12,679)	
<b>Total Business-type Activities</b>	<b>44,639</b>	<b>31,980</b>			<b>(12,679)</b>	<b>(12,679)</b>	
<b>Total Primary Government</b>	<b>4,069,738</b>	<b>67,435</b>	<b>21,556</b>	<b>(3,968,088)</b>	<b>(12,679)</b>	<b>(3,980,767)</b>	
<b>Component Unit:</b>							
Fire Department							(47,513)
<b>General Revenues:</b>							
Taxes							
Property				3,710,027		3,710,027	
Auto Excise				380,205		380,205	
Boat Excise				8,638		8,638	
Intergovernmental Revenues				70,462		70,462	
Investment Income					50	50	
Transfers				(8,999)	8,999	-	
Other Local Sources				46,291		46,291	45,853
Donation of Land				586,036		586,036	
<b>Total Revenues, Special Items and Transfers</b>				<b>4,792,694</b>	<b>9,018</b>	<b>4,801,712</b>	<b>45,853</b>
<b>Changes in Net Position</b>				<b>824,606</b>	<b>(3,661)</b>	<b>820,945</b>	<b>(1,660)</b>
<b>Net Position - Beginning</b>				<b>1,708,606</b>	<b>659,536</b>	<b>2,368,142</b>	<b>8,965</b>
<b>Net Position - Ending</b>				<b>2,533,212</b>	<b>655,875</b>	<b>3,189,087</b>	<b>7,305</b>

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

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

**TOWN OF OWL'S HEAD  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2016**

*Exhibit C*

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total Governmental Funds</u>
<i>Assets</i>			
Cash and Equivalents	873,529	48,188	921,717
Receivables			
Taxes	215,954		215,954
Tax Liens	18,859		18,859
Due from Other Governments	11,127		11,127
Due from Other Funds	8,054		8,054
<b>Total Assets</b>	<b><u>1,127,523</u></b>	<b><u>48,188</u></b>	<b><u>1,175,711</u></b>
<i>Liabilities, Deferred Inflows of Resources and Fund Balances</i>			
<i>Liabilities</i>			
Accounts Payable	7,239		7,239
Due to Other Governments	5,146		5,146
Payroll Taxes Payable	1,620		1,620
Due to Other Funds	51,584		51,584
<b>Total Liabilities</b>	<b><u>65,589</u></b>	<b><u>-</u></b>	<b><u>65,589</u></b>
<i>Deferred Inflows of Resources:</i>			
Prepaid Taxes	6,284		6,284
Unavailable Property Taxes	84,625		84,625
<b>Total Deferred Inflows of Resources</b>	<b><u>90,909</u></b>	<b><u>-</u></b>	<b><u>90,909</u></b>
<i>Fund Balances</i>			
Restricted	40,103	30,019	70,122
Committed	37,605	17,796	55,401
Assigned	8,707	373	9,080
Unassigned	884,610		884,610
<b>Total Fund Balances</b>	<b><u>971,025</u></b>	<b><u>48,188</u></b>	<b><u>1,019,213</u></b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b><u>1,127,523</u></b>	<b><u>48,188</u></b>	<b><u>1,175,711</u></b>
Total Fund Balances			1,019,213
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 of \$829,155			1,710,602
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:			
Unavailable Taxes and Liens Receivable			84,625
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:			
Bonds Payable			(274,889)
Accrued Wages Payable			(1,359)
Net Position of Governmental Activities			<u>2,533,212</u>

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

**TOWN OF OWL'S HEAD  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

*Exhibit D  
Page 1 of 2*

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total Governmental Funds</u>
<i>Revenues</i>			
Taxes	4,134,625		4,134,625
Intergovernmental Revenues	92,018		92,018
Other Local Sources	68,216	173	68,389
<b>Total Revenues</b>	<b><u>4,294,859</u></b>	<b><u>173</u></b>	<b><u>4,295,032</u></b>
<i>Expenditures</i>			
General Government	238,120		238,120
Public Safety	269,234		269,234
Public Works	529,674		529,674
Human Services	500		500
Miscellaneous	908,615		908,615
Assessments	3,005,533		3,005,533
Capital Expenditures		15,634	15,634
<b>Total Expenditures</b>	<b><u>4,951,676</u></b>	<b><u>15,634</u></b>	<b><u>4,967,310</u></b>
Excess of Revenues Over (Under) Expenditures	(656,817)	(15,461)	(672,278)
<i>Other Financing Sources (Uses)</i>			
Donation of Land	586,030		586,030
Transfers In	33,747		33,747
Transfers Out	(42,706)		(42,706)
<b>Total Other Financing Sources (Uses)</b>	<b><u>577,071</u></b>	<b><u>-</u></b>	<b><u>577,071</u></b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(79,746)	(15,461)	(95,207)
Fund Balance - July 1	1,050,771	63,649	1,114,420
<b>Fund Balance - June 30</b>	<b><u>971,025</u></b>	<b><u>48,188</u></b>	<b><u>1,019,213</u></b>

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

**TOWN OF OWL'S HEAD  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

*Exhibit D  
Page 2 of 2*

**TOWN OF OWL'S HEAD  
STATEMENT OF NET POSITION - PROPRIETARY FUND  
JUNE 30, 2016**

*Exhibit E*

Net change in fund balances - total governmental funds	(95,207)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases capitalized	1,000,184
Depreciation expense	<u>(85,833)</u>
	<u>914,351</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Unavailable Taxes and liens receivable	<u>(22,398)</u>
	<u>(22,398)</u>
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:	
General obligation bond principal payments	<u>25,526</u>
	<u>25,526</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 Wages Payable	<u>2,334</u>
	<u>2,334</u>
Change in net position of governmental activities	<u><u>824,606</u></u>

<i>Assets</i>	<u><i>Wastewater Enterprise</i></u>
<i>Current Assets:</i>	
Cash and Equivalents	2,369
Due From Other Funds	51,584
Receivables	
User Fees, net	<u>2,723</u>
<i>Total Current Assets</i>	<u>56,676</u>
<i>Noncurrent Assets:</i>	
Capital Assets, net	<u>640,888</u>
<i>Total Noncurrent Assets</i>	<u>640,888</u>
<i>Total Assets</i>	<u><u>697,564</u></u>
<i>Liabilities</i>	
<i>Current Liabilities:</i>	
Due to Other Funds	-
Accrued Interest Payable	549
Bonds Payable	<u>2,311</u>
<i>Total Current Liabilities</i>	<u>2,860</u>
<i>Noncurrent Liabilities:</i>	
Bonds Payable	<u>38,829</u>
<i>Total Noncurrent Liabilities</i>	<u>38,829</u>
<i>Total Liabilities</i>	<u>41,689</u>
<i>Net Position</i>	
Net Investment in Capital Assets	599,748
Unrestricted	<u>56,127</u>
<i>Total Net Position</i>	<u>655,875</u>
<i>Total Liabilities and Net Position</i>	<u><u>697,564</u></u>

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

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



TOWN OF OWL'S HEAD  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
 PROPRIETARY FUND  
 FOR THE YEAR ENDED JUNE 30, 2016

Exhibit F

	<u>Wastewater Enterprise</u>
<i>Operating Revenues:</i>	
Charges for Services	31,980
<i>Total Operating Revenues:</i>	<u>31,980</u>
<i>Operating Expenses:</i>	
Administration	9,043
Utilities	932
Repairs and Maintenance	2,099
Rockland Treatment Usage Fee	10,533
Depreciation and Amortization	19,702
<i>Total Operating Expenses</i>	<u>42,309</u>
<i>Net Operating Income</i>	<u>(10,329)</u>
<i>Nonoperating Revenues (Expenses)</i>	
Interest Revenue	59
Transfer from General Fund	8,959
Interest Expense	(2,350)
Other Income	.
<i>Total Nonoperating Revenues (Expenses)</i>	<u>6,668</u>
<i>Change in Net Position</i>	<u>(3,661)</u>
<i>Total Net Position - Beginning</i>	<u>659,536</u>
<i>Total Net Position - Ending</i>	<u>655,875</u>

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

TOWN OF OWL'S HEAD  
 STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
 FOR THE YEAR ENDED JUNE 30, 2016

Exhibit G

	<u>Wastewater Enterprise</u>
<i>Cash Flows from Operating Activities;</i>	
Received from Customers	\$31,980
Payments to Suppliers	(\$3,031)
Payments to Payroll	(\$9,043)
Payments to Contracts	(\$10,533)
Other Receipts / (Payments)	3,063
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>\$12,436</u>
<i>Cash Flows from Noncapital Financing Activities</i>	
Repayment of Bonds	(\$11,283)
<i>Net Cash Provided by (Used in) Noncapital Financing Activities</i>	<u>(\$11,283)</u>
<i>Cash Flows from Investing Activities</i>	
Interest and Dividends	\$59
<i>Net Cash Provided by (Used in) Investing Activities</i>	\$59
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	\$1,212
<i>Balances - beginning of the year</i>	<u>\$1,157</u>
<i>Balances - end of the year</i>	<u>\$2,369</u>
<i>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</i>	
Operating Income (Loss)	(10,329)
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	\$19,702
Changes in Assets and Liabilities:	
Receivables, net	\$748
Due From Other Funds	\$2,315
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>\$12,436</u>

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

TOWN OF OWL'S HEAD  
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
JUNE 30, 2016

Exhibit H

Assets	Private Purpose Trust Funds				Total
	Ash Point Cemetery	Cemetery General Care	Hope Bunker	New Cemetery	
Cash	18,778	15,314	13,156	4,849	52,097
<b>Total Assets</b>	<b>18,778</b>	<b>15,314</b>	<b>13,156</b>	<b>4,849</b>	<b>52,097</b>
<i>Liabilities and Net Position</i>					
Liabilities					
Due to Other Funds		8,050	4		8,054
<b>Total Liabilities</b>		<b>8,050</b>	<b>4</b>		<b>8,054</b>
Net Position					
Restricted	17,606	4,772	10,000	2,100	34,478
Unrestricted	1,172	2,492	3,152	2,749	9,565
<b>Total Net Position</b>	<b>18,778</b>	<b>7,264</b>	<b>13,152</b>	<b>4,849</b>	<b>44,043</b>
<b>Total Liabilities and Net Position</b>	<b>18,778</b>	<b>15,314</b>	<b>13,156</b>	<b>4,849</b>	<b>52,097</b>

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

TOWN OF OWL'S HEAD  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit I

	Private Purpose Trust Funds				Total
	Ash Point Cemetery	Cemetery General Care	Hope Bunker	New Cemetery	
Revenues					
New Funds					-
Investment Income	297	120	20	-	437
	297	120	20	-	437
Expenditures					
Administration					-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess of Revenues Over (Under) Expenditures	297	120	20	-	437
Net Position - July 1	18,481	7,144	13,132	4,849	43,606
<b>Net Position - June 30</b>	<b>18,778</b>	<b>7,264</b>	<b>13,152</b>	<b>4,849</b>	<b>44,043</b>

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Owl's Head have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

The Town of Owl's Head operates under a Board of Selectmen form of government. The Town's major operations include public works, public safety, human services, recreation and parks, and general administrative services.

For financial reporting purposes the Town includes all organizations, functions, and activities in its financial statements for which it exercises oversight responsibility. Oversight responsibility as defined by the Governmental Accounting Standards Board (GASB) includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

*Discretely Presented Component Units:* The volunteer fire department for the Town of Owl's Head operates as a legally separate entity; however it is financially dependent upon the Town. The Town provided approximately 91.9% of all financial support received by the fire department for the year ended June 30, 2016. The Town believes that the financial statements of the Town would be incomplete without the inclusion of the fire department as a discretely presented component unit.

In addition to entities that should be included within these financial statements, the Town may enter into agreements with other governments for specific purposes. These agreements are referred to as joint ventures or jointly governed entities. The Town participates in the following joint ventures:

**COOPERATIVE SOLID WASTE TRANSFER FACILITY** – The Town has entered into an interlocal agreement with the Town of Thomaston and the Town of South Thomaston to provide for the disposal of solid waste generated within the territories of the parties. The facility is managed by a Cooperative Solid Waste Committee consisting of two voting members per Town. Operating costs of the facility are allocated among member municipalities based on population. The Town of Owl's Head's costs for fiscal year ended June 30, 2016 was \$138,018.

**INTERLOCAL SANITARY SEWER AGREEMENT** – The Town has entered into an agreement with the City of Rockland for the City of Rockland to accept the sanitary sewage from Owl's Head delivered to the common boundary of the two municipalities. The Town of Owl's Head paid a one-time connection charge of \$125,760 to the City of Rockland, and the entire cost of designing and constructing the interconnecting line. The responsibility for the administration of this agreement is delegated to the Rockland City Manager, with advice from the Rockland City Council and the Owl's Head Board of Selectmen.

B. Fund Accounting

The accounts of the government are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (continued)

Funds are classified into the following categories: governmental, proprietary, and fiduciary.

Governmental funds are used to account for all or most of the Town's general activities, including the collection and disbursement of earmarked monies (special revenue funds) and the servicing of general long-term debt (debt service fund). The General Fund is used to account for all activities of the general government not accounted in some other fund.

Proprietary funds are established to account for activities for which a fee is charged to external or internal users for goods or services. Their reporting focuses on the determination of operating income and changes in net position. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other agencies primarily within the Town (internal service funds).

Fiduciary funds are used to account for assets held in a trustee or agency capacity for others and therefore cannot be used to support the Town's own programs.

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Town. The effect of material interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and various intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment, or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and standard revenues that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

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

The Town reports the following major proprietary funds:

The *sewer fund* accounts for the activities of the sewerage operations. The Town operates the sewer collection system and related administrative costs.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Government-wide and Fund Financial Statements (continued)

Additionally, the Town reports the following fund types:

*Non-expendable trust funds* account for monies held in trust by the Town, the investment earnings from which may only be used for the operation of the program.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues and additions are recorded when earned and expenses and deductions are recorded when a liability is incurred. Property taxes are recorded as revenues in the year for which they are levied (i.e. intended to finance). Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the fund liability is incurred. However, debt service expenditures (if any) are recorded only when payment is due.

Property taxes, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports unavailable revenue on its governmental fund financial statements. Unavailable revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unavailable revenues also arise when resources are received by the Town before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both the revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for unavailable revenue is removed from the balance sheet and the revenue is recognized.

E. Assets, Liabilities and Net Position or Fund Equity

1. Deposits and Investments

Governmental Accounting Standards Statement No. 40 requires the disclosure of interest rate risk, credit risk, and custodial risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town invests in short term repurchase obligations and short term investments held by a local banking institution. As a means of limiting its exposure credit risk, the Town limits its investments to those authorized by Maine State Statutes, which authorize the Town to make deposits/investments in insured commercial banks, insured credit unions, and direct debt securities of the United States Government unless such an investment is expressly prohibited by law. For an investment, custodial risk is the risk that in the event of the failure of the counter party the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued)

1. Deposits and Investments (Continued)

As a means of limiting its exposure to custodial risk, the Town requires that, at the time funds are invested, collateral for repurchase agreements be held in the Town's name by a custodial agent for the term of the agreement and investments in obligations of the United States or its agencies be held by the Federal Reserve.

2. Receivables and Payables

Transactions between funds that result in outstanding balances are reported as due to/from other funds.

Property taxes receivable not expected to be collected within 60 days from year-end are classified as unavailable revenue. At June 30, \$84,625 has been so classified and reported on the general fund balance sheet.

Property taxes were levied on August 4 on property values assessed on April 1. Taxes were due in two installments due on October 6 and March 15, with interest at 7% beginning November 6 and April 15. Tax liens are placed on real property within 12 months following the tax commitment date if taxes remain delinquent. Liens were placed on the 2015 fiscal year levy on August 10, 2015. The Town has the authority to foreclose on property eighteen months after the filing of the liens if the lien amount and associated costs remain unpaid.

Certain grants received from other governments require that eligible expenditures be made in order to earn the grant. Revenue for these grants is recorded for the period in which eligible expenditures are made.

3. Inventories

Inventories are valued at cost using the first in, first out method.

4. Capital Assets

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

TOWN OF OWL'S HEAD  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed. Property, plant, and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Infrastructure	30-50
Equipment	10-20

5. Compensated Absences

In the fund financial statements, vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Vested or accumulated vacation leave in the government-wide financial statements is recorded as an expense and liability of the fund as the benefits accrue to employees. In accordance with GASB Statement No. 16, no liability is recorded for nonvesting accumulated right to receive sick pay benefits.

6. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type financial statements. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources.

Under State Law, no municipality can incur debt, which would cause its total outstanding debt, exclusive of debt incurred for school, storm or sanitary sewer, energy facilities, or municipal airports, to exceed 7.50% of its last full state valuation. A municipality may incur debt for schools not exceeding 10%, storm or sanitary sewers 7.50%, and municipal airports, water districts and special purpose districts 3% of its last full state valuation. In no event can the total debt exceed 15% of its last full valuation. Full state valuation is the valuation of taxable property as certified by the State Tax Assessor, adjusted to 100%.

At June 30, the Town of Owl's Head is in compliance with the above requirements.

TOWN OF OWL'S HEAD  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (continued)

7. Fund Equity/Net Position

Fund Balances

In accordance with Government Accounting Standards Board 54, fund balance reporting and governmental fund type definitions, the Town classifies governmental fund balances as follows:

*Non-spendable* – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

*Restricted* – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

*Committed* – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through town meeting voting and does not lapse at year-end.

*Assigned* includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balances may be assigned by the Town Selectmen.

*Unassigned* – includes positive fund balance within the general fund which has not been classified within the above mentioned categories and negative fund balance in other governmental funds.

The Town considers restricted, committed, assigned, and unassigned amounts to be spent in that order when expenditures for which any of those amounts are available.

TOWN OF OWL'S HEAD  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued)

7. Fund Balances/Net Position (Continued)

Fund Balances

The Town has identified June 30, 2016 fund balances on the balance sheet as follows:

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total Governmental Funds</u>
<u>Restricted</u>			
Municipal Revenue Sharing	40,103		40,103
South Shore Escrow/Demolition		13,756	13,756
Village Green Project		5,323	5,323
Kitchen Fund		214	214
Kangas Capital Development		10,726	10,726
Total Restricted	<u>40,103</u>	<u>30,019</u>	<u>70,122</u>
<u>Committed</u>			
Historical Society Renovations		17,796	17,796
Salt/Sand Shed	10,558		10,558
Capital Asset Fund	27,047		27,047
Total Committed	<u>37,605</u>	<u>17,796</u>	<u>55,401</u>
<u>Assigned</u>			
Other carryovers	4,136		4,136
Tennis Court Renovation		373	373
75th Anniversary	4,571		4,571
Total Assigned	<u>8,707</u>	<u>373</u>	<u>9,080</u>
<u>Unassigned</u>			
	<u>884,610</u>		<u>884,610</u>
Total	<u>971,025</u>	<u>48,188</u>	<u>1,019,213</u>

The Town considers restricted, committed, assigned and unassigned amounts to be paid in that order when expenditures are incurred for which any of those amounts are available.

TOWN OF OWL'S HEAD  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued)

7. Fund Balances/Net Position (Continued)

Net Position

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net position is required to be classified into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

*Net Investment in Capital Assets* – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets.

*Restricted* – This component of net position consists of restrictions placed on net position use through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or law or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

*Unrestricted* – This component consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements that govern the Town's operations. At its annual meeting, the Town adopts a budget for the current year for the General Fund. Budgets are adopted on a basis consistent with generally accepted accounting principles.

Management may transfer appropriations between operating categories as they deem necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at fiscal year end to the extent that they have not been encumbered.

State statutes require balanced budgets, but provide for the use of beginning unreserved fund balance to achieve that end. In 2015-2016, \$305,000 of the beginning General Fund fund balance was applied for this purpose.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments are carried forward to supplement appropriations of the subsequent year.

TOWN OF OWL'S HEAD  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Town does not currently have a deposit/investment policy.

State Statute 5706 require banks to give bond or to pledge government securities (types of which are specifically identified in the Statutes) to the Town Treasurer in the amount of the Town's deposits. The Statutes allow pledged securities to be reduced by the amount of Federal Deposit Insurance Corporation (FDIC).

The financial institution holding the Town's cash accounts participates in the FDIC Transaction Account Guarantee Program. Under the program, all interest bearing and non-interest bearing accounts, are aggregated and are insured up to \$250,000 in total by the FDIC.

At year-end, the government's carrying amount of deposits was \$976,183 and the bank balance was \$992,485. The bank balance is categorized according to credit risk as follows:

- Category 1 – Insured by Federal depository or credit union insurance.
- Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.
- Category 3 – Uninsured and uncollateralized.

	Bank Balance	Category		
		1	2	3
Cash and Equivalents	992,485	396,458	596,027	-

Investments

Included in the Town's cash equivalents at June 30, 2016, were short-term investments in repurchase agreements issued by a local banking institution. Under these agreements, the Town will be repaid principal plus interest on a specified date, which is subsequent to year-end. The agreement is guaranteed/collateralized with securities held by the banking institution, which exceed the amount of the agreement. To the extent that the banking institution may default on its commitment to these obligations, the Town is at risk of economic loss. Management considers this exposure minimal. At June 30, 2016, the Town's investments, maturities and credit ratings are as follows:

Type	Fair Value	June 30, 2016					Credit Rating	
		Maturities in Years					S&P	Moody's
		Less Than 1	1-5	6-10	More than 10			
Collateralized Repurchase Agreement	596,027	596,027	-	-	-	-	AA	Aaa
Total	596,027	596,027	-	-	-	-		

Investment Policy

The Town does not currently have an investment policy.

TOWN OF OWL'S HEAD  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments (continued)

Summary of Deposits and Investment Balances

Following is a reconciliation of the Town's deposit and investment balances as of June 30, 2016:

	Government-wide Statement of Net Position	Proprietary Fund Statement of Net Position	Fiduciary Funds Statement of Net Position	Totals
Deposits and Cash on Hand (including invested repurchase agreement)	\$ 976,183			
Cash and Cash Equivalents	\$ 325,690	\$ 2,369	\$ 52,097	\$ 380,156
Investments (repurchase agreement)	\$ 596,027			\$ 596,027
	\$ 921,717	\$ 2,369	\$ 52,097	\$ 976,183

B. Property Taxes

Property taxes were levied for the fiscal year as follows:

Assessed Value	352,955,965
Tax Rate (per \$1,000)	10.50
Commitment	3,706,038
Appropriations	4,244,224
Less:	
State Municipal Revenue Sharing	33,747
Estimated Revenues	474,089
BETE Reimbursement	7,151
Homestead Reimbursement	23,199
	538,186
Net Assessment for Commitment	3,706,038

Uncollected taxes at June 30 for the current year commitment totaled \$157,054, prior year uncollected taxes totaled \$58,899. Unpaid liens at June 30 totaled \$18,860.

TOWN OF OWL'S HEAD  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

C. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities;</i>				
<i>Capital assets not depreciated</i>				
Land	11,000	894,315		905,315
<i>Capital assets being depreciated</i>				
Buildings	477,823			477,823
Equipment	474,535			474,535
Infrastructure	576,215	105,869		682,084
<i>Total capital assets being depreciated</i>	<u>1,528,573</u>	<u>105,869</u>	<u>-</u>	<u>1,634,442</u>
<i>Less accumulated depreciation for</i>				
Buildings	172,888	17,050		189,938
Equipment	349,389	9,222		358,611
Infrastructure	221,045	59,561		280,606
<i>Total accumulated depreciation</i>	<u>743,322</u>	<u>85,833</u>	<u>-</u>	<u>829,155</u>
<i>Net capital assets being depreciated</i>	<u>785,251</u>	<u>20,036</u>	<u>-</u>	<u>805,287</u>
<i>Governmental Activities</i>				
<i>Capital Assets, net</i>	<u>796,251</u>	<u>914,351</u>	<u>-</u>	<u>1,710,602</u>
<i>Business-type Activities;</i>				
<i>Capital assets being depreciated</i>				
Sewer System	912,648			912,648
Sewer Equipment	28,982	-		28,982
<i>Total capital assets being depreciated</i>	<u>941,630</u>	<u>-</u>	<u>-</u>	<u>941,630</u>
<i>Less accumulated depreciation for</i>				
Sewer System	275,795	18,253		292,048
Sewer Equipment	7,245	1,449		8,694
<i>Total accumulated depreciation</i>	<u>281,040</u>	<u>19,702</u>	<u>-</u>	<u>300,742</u>
<i>Net capital assets being depreciated</i>	<u>660,590</u>	<u>(19,702)</u>	<u>-</u>	<u>640,888</u>
<i>Business-type Activities</i>				
<i>Capital Assets, net</i>	<u>660,590</u>	<u>(19,702)</u>	<u>-</u>	<u>640,888</u>

TOWN OF OWL'S HEAD  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

C. Capital Assets (continued)

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

<i>Governmental Activities</i>	
General Government	3,862
Public Safety	8,444
Highways, including depreciation of general infrastructure assets	73,527
<b>Total Depreciation Expense - Governmental Activities</b>	<u>85,833</u>

D. Interfund Receivables and Payables

Individual fund interfund receivable and payable balances at June 30, 2016 were as follows:

	Interfund Receivable	Interfund Payable
General Fund	8,054	51,584
Proprietary Fund:		
Sewer Fund	51,584	
Trust Funds:		
Cemetery Trust		8,050
Hope Bunker Trust		4
<b>Totals</b>	<u>59,638</u>	<u>59,638</u>

The purposes of the due to/dues from other funds are to charge revenue and expenditure activity to the appropriate funds. On the Governmental, Proprietary, and Fiduciary Fund financial statements, the payables are classified as Due to Other Funds with offsetting receivables on the Governmental Fund financial statements classified as Due from Other Funds. All the above balances expect to be paid during the next year, except for the sewer fund. The general fund initially paid for the expenditures of the sewer fund. The sewer fund planned to repay this money owed over 17 years but has not begun to do so yet. See Note 3 F.1 for maturity payments.



TOWN OF OWL'S HEAD  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

E. Long-Term Debt

1. General Obligation Bonds and Notes.

The government issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities.

General obligation bonds and notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and notes currently outstanding are as follows:

<i>Purpose</i> <u>Governmental Fund Activities</u>	<i>Maturity</i> <u>Date</u>	<i>Interest</i> <u>Rate</u>	<i>Amount</i>
2012 Refinanced Salt/Sand Shed	9/27/2025	3.36%	184,923
2014 Refinanced Fire Truck Bond	11/19/2023	3.30%	94,966
			<u>279,889</u>
<u>Business-type Activities</u>			
2001 MMBB Sewer Collection System	9/27/2028	5.13%	41,140
			<u>41,140</u>
Total			<u>321,029</u>

TOWN OF OWL'S HEAD  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

E. Long-Term Debt (Continued)

1. General Obligation Bonds and Notes (Continued)

Annual debt service requirements to maturity for general obligation bonds and notes, including interest of \$67,482 are as follows:

<i>Year Ended</i> <u>June 30,</u>	<i>Governmental</i> <i>Activities</i> <u>Total</u>	<i>Business-type</i> <i>Activities</i> <u>Total</u>	<i>Interfund</i> <i>Activities</i> <u>Total</u>	<i>Totals</i>
2017	35,857	4,423	1,000	43,297
2018	35,859	4,423	1,000	43,300
2019	35,858	4,423	1,000	43,300
2020	35,858	4,423	1,000	43,301
2021	35,859	4,423	1,000	43,303
2022-2026	151,834	22,115	5,000	178,949
2027-2030	-	13,156	5,000	18,156
	-	-	1,089	1,089
Total	<u>331,125</u>	<u>57,386</u>	<u>16,089</u>	<u>414,605</u>

2. Changes in Long-Term Liabilities

The following summary of long-term debt transactions of the Town of Owl's Head for the fiscal year ended June 30, 2016:

Long-term Debt payable July 1, 2015	355,397
Debt Issued	-
Debt Retired	<u>(34,368)</u>
Long-term Debt payable June 30, 2016	<u>321,029</u>

3. Overlapping Debt

The Town's proportionate share of debt of all local government units which provide services within the Town's boundaries, and which must be borne by properties in the Town is summarized as follows:

<i>Units</i>	<i>Net debt</i> <i>outstanding</i> <u>June 30, 2016</u>	<i>Percentage</i> <i>applicable</i> <i>to the Town</i>	<i>Town's</i> <i>proportionate</i> <i>share of debt</i>
Regional School Unit #13	2,119,109	9.19%	194,846
Knox County	<u>1,990,000</u>	4.6%	<u>91,540</u>
Totals	<u>4,109,109</u>		<u>286,386</u>

The Town's proportionate share of the above debt is paid through annual assessments by the respective units.

TOWN OF OWL'S HEAD  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

G. Trust Funds

The principal amount of all Nonexpendable Permanent Funds is restricted either by law or by terms of individual bequests in that only income earned may be expended. The government's Nonexpendable and Expendable Permanent Funds at June 30 are detailed as follows:

Purpose	Nonexpendable	Expendable
Ash Point Cemetery Care	17,606	1,172
General Cemetery Care	4,772	2,492
Hope Bunker	10,000	3,152
New Cemetery	2,100	2,749
	<u>34,478</u>	<u>9,565</u>

NOTE 4 - OTHER INFORMATION

A. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amount, if any to be immaterial.

TOWN OF OWL'S HEAD  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2016

Exhibit J

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Taxes	4,082,938	4,082,938	4,134,625	51,687
Intergovernmental Revenues	56,654	56,654	55,482	(1,172)
Other Local Sources	70,885	70,885	68,209	(2,676)
<b>Total Revenues</b>	<u>4,210,477</u>	<u>4,210,477</u>	<u>4,258,316</u>	<u>47,839</u>
<b>Expenditures (Net of Departmental Revenues)</b>				
General Government	261,302	261,302	238,120	23,182
Public Safety	272,523	272,523	269,234	3,289
Public Works	553,293	553,293	529,674	23,619
Human Services	2,000	2,000	500	1,500
Miscellaneous	13,000	904,030	903,282	748
Assessments	3,127,206	3,127,206	3,005,533	121,673
<b>Total Expenditures</b>	<u>4,229,324</u>	<u>5,120,354</u>	<u>4,946,343</u>	<u>174,011</u>
<b>Excess Revenues Over Expenditures</b>	(18,847)	(909,877)	(688,027)	221,850
<b>Other Financing Sources</b>				
Donation of Land	-	586,030	586,030	-
Transfers from Other Funds	33,747	33,747	33,747	-
Transfers to Other Funds	(14,900)	(14,900)	(8,959)	5,941
<b>Total Other Financing Sources</b>	<u>18,847</u>	<u>604,877</u>	<u>610,818</u>	<u>5,941</u>
<b>Net Change in Fund Balance</b>	<u>-</u>	<u>(305,000)</u>	<u>(77,209)</u>	<u>227,791</u>
<b>Beginning Fund Balances</b>			<u>961,819</u>	
<b>Ending Fund Balances - Budgetary Basis</b>			<u>884,610</u>	
<b>Adjustments to Conform to GAAP:</b>				
Elimination of Encumbrances			<u>41,741</u>	
<b>Ending Fund Balances - GAAP Basis</b>			<u>926,351</u>	

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

**TOWN OF OWL'S HEAD  
GENERAL FUND  
STATEMENT OF ESTIMATED AND ACTUAL REVENUES  
FOR THE YEAR ENDED JUNE 30, 2016**

Exhibit A-1

	Estimated	Actual	Over (Under) Budget
<b>Taxes</b>			
Property	3,706,038	3,732,425	26,387
Auto Excise	350,000	380,205	30,205
Boat Excise	7,700	8,638	938
Lien Costs Reimbursed	5,200	4,215	(985)
Interest on Taxes and Liens	14,000	9,142	(4,858)
	<u>4,082,938</u>	<u>4,134,625</u>	<u>51,687</u>
<b>Intergovernmental Revenues</b>			
Veterans Exemption	1,548	1,787	239
Local Road Assistance	21,556	21,556	-
Homestead Exemption	23,199	23,199	-
Tree Growth Reimbursement	1,200	1,398	198
General Assistance Reimbursement	2,000	-	(2,000)
Snowmobile Reimbursement		391	391
BETE Reimbursement	7,151	7,151	-
	<u>56,654</u>	<u>55,482</u>	<u>(1,172)</u>
<b>Local Sources</b>			
Investment Interest	475	943	468
Building Permits	5,750	7,377	1,627
Cable Contract	9,000	8,265	(735)
PERC Performance	23,020	19,928	(3,092)
Mooring Fees	2,900	4,825	1,925
Dog Fees/Fines	1,265	1,254	(11)
Wood Dump	8,500	9,059	569
Parks & Recreation	3,000	2,022	(978)
Room Rental	2,500	2,509	9
Copier	175	160	(15)
Agent Fees	8,200	8,239	39
Downpayment on purchase of TAP	-	3,500	3,500
All Other	6,100	118	(5,982)
	<u>70,885</u>	<u>68,209</u>	<u>(2,676)</u>
<b>Other Financing Sources</b>			
Donation of Land	586,030	586,030	-
Transfers In	33,747	33,747	-
	<u>619,777</u>	<u>619,777</u>	<u>-</u>
<b>Total Revenues and Other Financing Sources</b>	<u>4,830,254</u>	<u>4,878,093</u>	<u>47,839</u>
<b>Fund Balance Used To Reduce Taxes</b>	<u>305,000</u>		
<b>Total</b>	<u>5,135,254</u>		

**TOWN OF OWL'S HEAD  
GENERAL FUND  
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES  
FOR THE YEAR ENDED JUNE 30, 2016**

Exhibit A-2  
Page 1 of 3

	Encumbered from 2015	Appropriations	Expenditures Net of Refund	Encumbered to 2017	(Over) Under Budget
General Government					
Selections		10,925	10,926		(1)
Treasurer		10,113	17,016		(6,903)
Tax Collector		37,980	38,954		(974)
Town Clerk		1,678	1,581		97
Secretary		32,844	23,768		9,076
Public Health Officer		285	285		-
Aggravator of Offenses		480	480		-
Overseer of the Poor		518	518		-
Temporary Help		600	-		600
Tax Bill Collectors		1,100	670		430
Update Tax Maps		3,520	2,150		1,370
Assessors Agent		17,770	16,795		975
Insurance		11,497	17,185		(5,688)
Utilities		8,000	6,250		1,750
Repairs/Maintenance		7,000	4,434		2,566
Community Bus Janitor		4,172	4,202		(30)
Supplies		3,000	4,072		(1,072)
Permits		1,650	2,046		(396)
Advertising/Promote		6,975	8,340		(1,365)
Education Workers		1,000	892		108
Reimburse Vehicle Usage		1,200	1,240		(40)
Legal Services		20,000	4,649		15,351
Dues & Fees		14,265	14,005		260
Office Equipment		6,700	9,025		(2,325)
Payroll Taxes		10,000	10,228		(228)
Health Insurance		30,000	26,560		3,440
Unemployment Insurance		2,350	907		1,443
Bank Fees		150	908		(758)
Lien Delinquency Fees		3,800	3,498		302
Town Report		2,050	2,153		(103)
Village Reimbursement		500	500		-
Accumulating		8,500	8,326		174
		<u>261,902</u>	<u>238,120</u>		<u>23,782</u>

TOWN OF OWL'S HEAD  
GENERAL FUND  
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES  
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit A-2  
Page 2 of 3

	Encumbered from 2015	Appropriations	Expenditures Not of Refund	Encumbered in 2017	(Over) Under Budget
<b>Public Safety</b>					
Fire Department					
Payroll		38,270	42,133		(3,863)
Fire Warden		500	500		-
Fire Recruit		100	-		100
Fire General Expenses		-	50		(50)
Equipment	14,640	-	15,403		(763)
Memberships & Subscriptions		1,131	1,365		(234)
Training		1,500	1,134		366
OSHA Exams		1,100	606		494
Insurance		4,070	2,038		2,032
Dispatching		41,209	41,209		-
Gasoline/Fuel		1,000	813		187
Supplies/Materials		2,000	2,317		(317)
Maintenance/Repairs		10,915	9,277		1,638
Signs		1,500	772		728
Utilities		7,500	5,598		1,902
Fire Truck Debt Payment		13,728	13,728		-
Street Lighting		12,150	12,977		(827)
Hydrants		18,125	16,978		1,147
Fire Pond Maintenance		1,000	-		1,000
Ambulance/First Aid Equipment		82,762	82,762		-
911 Address		515	515		-
EMA Director		515	515		-
Code Enforcement		11,342	11,319		(23)
Plumbing Inspector		913	913		-
Animal Control		6,038	6,252		(214)
	-	272,523	269,234	-	3,289
<b>Public Works</b>					
Road Commissioner Salary		913	913		-
Town Roads		142,101	134,195		7,906
Supplies		4,200	2,934		1,266
Snow Removal		100,000	92,500		7,500
Salt/Sand		55,868	44,583		11,285
Salt/Sand Shed	10,558	-	-	10,558	-
Salt/Sand Shed Debt Payment		22,130	22,130		-
Solid Waste Recycling		135,148	138,018		(2,870)
Wood Dump Attendant		11,920	10,884		1,036
Wood Dump Expense		60,000	63,824		(3,824)

TOWN OF OWL'S HEAD  
GENERAL FUND  
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES  
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit A-2  
Page 3 of 3

	Encumbered from 2015	Appropriations	Expenditures Not of Refund	Encumbered in 2017	(Over) Under Budget
<b>Public Works (Continued)</b>					
Harbor Master		5,213	2,706		2,507
Septic Waste		2,300	2,300		-
New Cemetery		2,000	1,162		838
Cottage and Knowlton Avo. Connections	4,136	-	-	4,136	-
Comorcia		11,500	13,539		(2,039)
	14,694	553,293	529,674	14,694	23,619
<b>Human Services</b>					
General Welfare		1,500	-		1,500
Human Service Agencies		500	500		-
		2,000	500		1,500
<b>Capital Improvements</b>					
Capital Asset Fund		27,047	-	27,047	-
	27,047			27,047	
<b>Miscellaneous</b>					
Abatements		11,000	6,167		4,833
Library		2,000	2,000		-
Purchase of Property		305,000	309,083		(4,083)
Property Donated		986,030	986,030		-
Internet Multi Municipal Study	5,333	-	5,333		-
	5,333	904,030	906,615	-	748
<b>Assessments</b>					
SAD#3		2,660,736	2,680,726		-
County Tax		344,807	344,807		-
Overlay		121,673	-		121,673
		3,127,206	3,005,533		121,673
<b>Transfers</b>					
Transfer to Sewer Fund		14,000	8,959		5,041
		14,000	8,959		5,041
<b>Total</b>	47,874	5,135,254	4,968,635	41,741	179,952

TOWN OF OWL'S HEAD  
GENERAL FUND  
STATEMENT OF CHANGES IN UNASSIGNED FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit A-3

Unassigned Fund Balance, July 1	961,819	
Unassigned Fund Balance, June 30	<u>884,610</u>	
Increase		<u>(77,209)</u>

*Analysis of Change*

Additions		
Budget Surplus		
Revenue Surplus - Exhibit A-1	47,839	
Unexpended Balance of		
Appropriations - Exhibit A-2	<u>179,952</u>	
		227,791
Deductions		
Beginning Fund Balance Used to Reduce Taxes		<u>(305,000)</u>
Increase		<u>(77,209)</u>

TOWN OF OWL'S HEAD  
GENERAL FUND ASSIGNED ACCOUNTS  
COMBINING BALANCE SHEET  
JUNE 30, 2016

Exhibit A-4

<i>Assets</i>	<i>Municipal Revenue Sharing</i>	<i>75th Anniversary</i>	<i>Total</i>
Cash and Equivalents		4,575	4,575
Due from Other Funds	<u>40,103</u>		<u>40,103</u>
<b>Total Assets</b>	<b>40,103</b>	<b>4,575</b>	<b>44,678</b>
<i>Liabilities and Fund Balances</i>			
Liabilities			
Due to Other Funds		<u>4</u>	<u>4</u>
<b>Total Liabilities</b>		<b>4</b>	<b>4</b>
<i>Fund Balances</i>			
Fund Balances			
Restricted	<u>40,103</u>		<u>40,103</u>
Assigned		<u>4,571</u>	<u>4,571</u>
<b>Total Fund Balances</b>	<b>40,103</b>	<b>4,571</b>	<b>44,674</b>
 <b>Total Liabilities Fund Balances</b>	 <b>40,103</b>	 <b>4,575</b>	 <b>44,678</b>

**TOWN OF OWL'S HEAD  
GENERAL FUND ASSIGNED ACCOUNTS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2016**

*Exhibit A-5*

	<i>Municipal Revenue Sharing</i>	<i>75th Anniversary</i>	<i>Total</i>
Revenues			
Intergovernmental Revenues			
State	36,536		36,536
Local Sources		7	7
Total Revenues	36,536	7	36,543
Expenditures			
Professional Services			-
Total Expenditures			-
Excess of Revenues Over (Under) Expenditures	36,536	7	36,543
Other Financing Sources (Uses)			
Transfers Out	(33,747)		(33,747)
	(33,747)		(33,747)
Excess of Revenues Over Expenditures and Other Financing Uses	2,789	7	2,796
Fund Balance - July 1	37,314	4,564	41,878
Fund Balance - June 30	40,183	4,571	44,674

**TOWN OF OWL'S HEAD  
COMBINING BALANCE SHEET  
ALL CAPITAL FUNDS  
JUNE 30, 2016**

*Exhibit B-1*

	<i>Capital Reserves</i>	<i>Total</i>
<b>Assets</b>		
Cash	48,188	48,188
Accounts Receivable	-	-
<b>Total Assets</b>	<b>48,188</b>	<b>48,188</b>
<b>Liabilities and Fund Balance</b>		
Liabilities		
Due To Other Funds		-
Total Liabilities	-	-
<b>Fund Balance</b>		
Fund Balances		
Restricted	30,019	30,019
Committed	17,796	17,796
Assigned	373	373
Total Fund Balance	48,188	48,188
<b>Total Liabilities and Fund Balances</b>	<b>48,188</b>	<b>48,188</b>

TOWN OF OWL'S HEAD  
CAPITAL FUNDS  
STATEMENT OF ACTIVITY  
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit B-2

	<i>Beginning Balance</i>	<i>Transfers In</i>	<i>Revenues</i>	<i>Transfers Out</i>	<i>Expenditures</i>	<i>Ending Balance</i>
Capital Fund						
Tennis Court Renovation	373		-			373
Kangas Capital Development	10,720		6			10,726
Village Green Project	6,680		133		(1,490)	5,323
Historical Society Renovations	31,912		28		(14,144)	17,796
South Shore Escrow/Demolition	13,750		6			13,756
Kitchen Fund	214					214
<b>Total</b>	<b>63,649</b>	<b>-</b>	<b>173</b>	<b>-</b>	<b>(15,634)</b>	<b>48,188</b>

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

Members of the Board of Selectmen  
Town of Owl's Head  
P.O. Box 128  
Owl's Head, ME 04854

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Owl's Head, Maine, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Owl's Head, Maine's basic financial statements and have issued our report thereon dated August 5, 2016.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be material weaknesses: 2016-1.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Owl's Head, 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*.

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*SCHEDULE I  
TOWN OF OWL'S HEAD, MAINE  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2016*

*Town of Owl's Head, Maine's Response to Findings*

NONE

Town of Owl's Head, Maine's response to the findings identified in our audit is described in the accompanying schedule of findings. Town of Owl's Head, Maine's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

*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.

Respectfully Submitted,

*James W. Wadman, CPA*

James W. Wadman, CPA

Ellsworth, Maine  
August 5, 2016



*SCHEDULE II  
TOWN OF OWL'S HEAD, MAINE  
Schedule of Findings  
For the Year Ended June 30, 2016*

*A. SUMMARY OF AUDITOR'S RESULTS*

1. The auditor's report expresses an unqualified opinion on the financial statements of the Town of Owl's Head, Maine.
2. Reportable conditions relating to the audit of the financial statements are reported in the *Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Town of Owl's Head, Maine were disclosed during the audit.

*B. FINDINGS – FINANCIAL STATEMENT AUDIT*

**2016-01 WASTEWATER AND SPECIAL ACCOUNTS ACTIVITY NOT POSTED TO INDIVIDUAL FUNDS**

*Criteria:* All revenues and expenditures should go through the Town's normal receipts and disbursements processes to ensure timely and accurate reporting. Wastewater activity should be reported in its own fund in order to record all proprietary fund activity. Trust funds and special accounts should be reported in their own fund to report activity not related to the general fund.

*Condition:* The Town's wastewater activity was not recorded in its own fund. Billings and cash receipts were recorded in the general fund balance sheet account and revenue account. Expenditures were only recorded on handwritten sheets. Trust fund and special accounts were not recorded at all except on handwritten sheets.

*Effect:* Inaccurate and incomplete financial records and additional time required to determine the revenues and expenditures appropriate for each of the funds.

*Recommendation:* We recommend that the Town record all activity for the wastewater fund and trust funds and special accounts in their own funds.

*Management's Response:* The town will work to train personnel in the appropriate methods and procedures to separately account for the activity in the wastewater fund through its automated systems.

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**APPENDIX D**

**CITY OF ROCKLAND, MAINE  
ANNUAL FINANCIAL STATEMENTS  
AND SUPPORTING SCHEDULES  
FOR THE  
YEAR ENDED JUNE 30, 2016**

**(With Report of Independent Auditors Thereon)**

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*CITY OF ROCKLAND, MAINE*

*FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT*

*FOR THE FISCAL YEAR  
ENDED JUNE 30, 2016*

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CITY OF ROCKLAND  
 FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES  
 FOR THE YEAR ENDED JUNE 30, 2016

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CITY OF ROCKLAND  
 FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES  
 FOR THE YEAR ENDED JUNE 30, 2016

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## INDEPENDENT AUDITOR'S REPORT

Members of the City Council  
City of Rockland  
Rockland, ME 04841

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Rockland, Maine (the City) as of and for the fiscal year ended June 30, 2016, including the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Rockland, Maine as of June 30, 2016, and the respective changes in

financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 3 through 9 and 46 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rockland, Maine's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards and the supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 supplementary information and the schedule of expenditures of federal awards 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 March 30, 2017 on our consideration of the City of Rockland, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. 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 the 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 City of Rockland, Maine's internal control over financial reporting and compliance.

Respectfully Submitted,

*James W. Wadman, C.P.A.*

James W. Wadman, C.P.A.  
March 30, 2017

**CITY OF ROCKLAND, MAINE**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**

Management of the City of Rockland, Maine provides this *Management's Discussion and Analysis* of the City's financial performance for readers of the City's financial statements. This narrative overview and analysis of the financial activities of the City is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the financial statements and accompanying notes that follow.

The financial statements herein include all of the activities of the City of Rockland, Maine (the City) using the integrated approach as prescribed by Government Accounting Standards Board (GASB) Statement No. 34.

**FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT**

**Government-wide Highlights:**

**Net Position** – The assets of the City exceeded its liabilities at fiscal year ending June 30, 2016 by \$23,849,671 (presented as “net position”). Of this amount, \$4,068,367 was reported as “unrestricted net position”. Unrestricted net position represents the amount available to be used to meet the City's ongoing obligations to citizens and creditors.

**Changes in Net Position** – The City's total net position increased by \$1,795,841 (an 8.1% increase) for the fiscal year ended June 30, 2016. Net position of governmental activities increased by \$2,361,649 (a 17.9% increase), while net position of business-type activities showed a decrease of \$565,808 (a 6.4% decrease).

**Fund Highlights:**

**Governmental Funds – Fund Balances** – As of the close of the fiscal year ended June 30, 2016, the City's governmental funds reported a combined ending fund balance of \$8,279,852 with \$1,345,152 being general unassigned fund balance and \$(2,856) deficit EMS unassigned fund balance for a total of \$1,342,296. The general unassigned fund balance represents approximately 6.7% of the total general fund expenditures for the year.

**Long-term Debt:**

The City's total long-term debt obligations increased by \$123,977 (1.0%) during the current fiscal year. Governmental debt obligations increased by \$641,059 and proprietary debt obligations decreased by \$517,082. A new bond was issued in the amount of \$1,600,000 for financing for the Old County Road project. Existing debt obligations were retired according to schedule.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information (budgetary comparison) and other supplementary information. These components are described below:

**Government-wide Financial Statements**

The Government-wide financial statements present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain elimination entries have occurred as prescribed by the statement in regards to inter-fund activity, payables and receivables.

The government-wide financial statements can be found on pages 10-11 of this report.

**Fund Financial Statements**

The fund financial statements include statements for each of the three categories of activities – governmental, business-type and fiduciary. The governmental activities are prepared using the current financial resources

measurement focus and the modified accrual basis of accounting. The business-type activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are used to account for resources held for the benefit of parties outside the City government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs. Reconciliation of the fund financial statements to the Government-wide financial statements is provided to explain the differences created by the integrated approach.

The basic governmental fund financial statements can be found on pages 12-15 of this report.

The basic proprietary fund financial statements can be found on pages 16-18 of this report.

The basic fiduciary fund financial statements can be found on pages 19-20 of this report.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found on pages 21-45 of this report.

**Required Supplementary Information**

This section includes a budgetary comparison schedule, which includes a reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the general fund as presented in the governmental fund financial statements (if necessary). This section also includes a schedule of proportionate share of net pension liability and schedule of employer contributions in relation to implementation of GASB Statement #68. Required supplementary information can be found on pages 46-47 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position**

71.8% of the City's net position reflects its investment in capital assets such as land, buildings, equipment and infrastructure (roads, bridges and other immovable assets), less any related debt used to acquire those assets that are still outstanding. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although, the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.



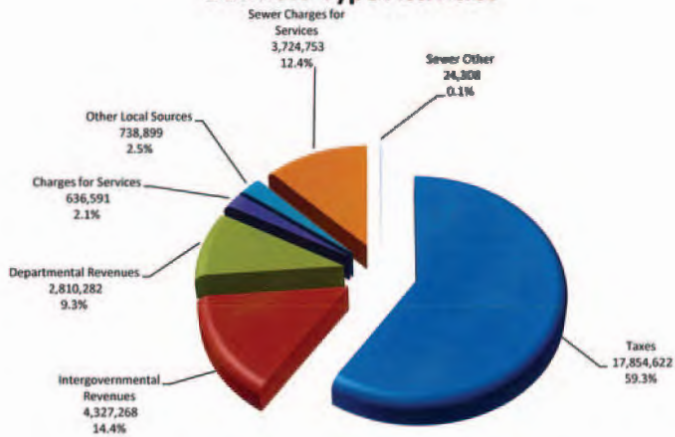
	Governmental		Business-like	
	Activities	Activities	Total 2016	Total 2015
Current Assets	10,306,001	1,785,252	12,091,253	10,428,373
Capital Assets	17,263,898	11,848,950	29,112,848	28,354,917
<b>Total Assets</b>	<b>27,569,899</b>	<b>13,634,202</b>	<b>41,204,101</b>	<b>38,783,290</b>
Related to Pensions	1,515,585	203,948	1,719,533	186,543
<b>Total Deferred Outflows of Resources</b>				
<b>Total Assets and Deferred Outflows of Resources</b>	<b>29,085,484</b>	<b>13,838,150</b>	<b>42,923,634</b>	<b>38,969,833</b>
Current Liabilities	2,396,816	709,607	3,106,423	2,849,801
Other Liabilities	9,602,394	4,652,762	14,255,156	12,342,567
<b>Total Liabilities</b>	<b>11,999,210</b>	<b>5,362,369</b>	<b>17,361,579</b>	<b>15,192,368</b>
Prepaid Property Taxes	28,458		28,458	25,358
Related to Pensions	1,484,212	199,714	1,683,926	1,698,277
<b>Total Deferred Inflows of Resources</b>	<b>1,512,670</b>	<b>199,714</b>	<b>1,712,384</b>	<b>1,723,635</b>
Net Investment in Capital Assets	10,109,568	7,018,884	17,128,452	16,494,498
Restricted	2,622,756	30,096	2,652,852	2,282,784
Unrestricted	2,841,280	1,227,087	4,068,367	3,276,548
<b>Total Net Position</b>	<b>15,573,604</b>	<b>8,276,067</b>	<b>23,849,671</b>	<b>22,053,830</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>29,085,484</b>	<b>13,838,150</b>	<b>42,923,634</b>	<b>38,969,833</b>

#### Changes in Net Position

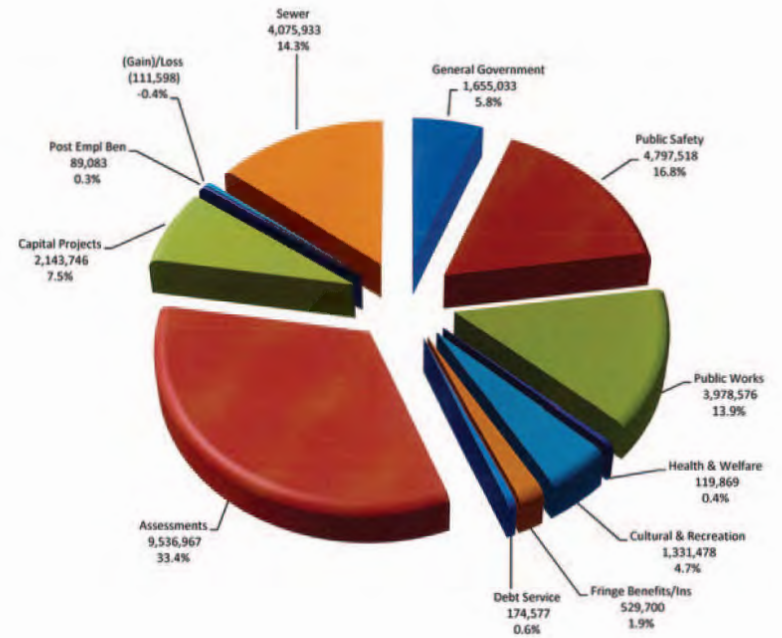
Approximately 59.3 percent of the City's total revenue came from property and excise taxes, approximately 14.4 percent came from State and Federal subsidies and grants, and approximately 26.3 percent came from services, investment earnings and other sources. Depreciation expense on the City's governmental activity assets represents \$1,380,743 of the total expenses for the fiscal year and \$866,853 of the total business-type activity assets.

	Governmental		Business-Type	
	Activities	Activities	Total 2016	Total 2015
<b>Revenues:</b>				
Taxes	17,854,622		17,854,622	16,946,592
Intergovernmental Revenues	4,327,268		4,327,268	4,137,455
Departmental Revenues	2,810,282		2,810,282	2,700,253
Charges for Services	636,591	3,724,753	4,361,344	4,330,034
Other Local Sources	738,899	24,308	763,207	530,467
<b>Total</b>	<b>26,367,662</b>	<b>3,749,061</b>	<b>30,116,723</b>	<b>28,644,801</b>
<b>Expenses:</b>				
General Government	1,655,033		1,655,033	1,923,911
Public Safety	4,797,518		4,797,518	6,699,753
Public Works	3,978,576	4,075,933	8,054,509	8,323,480
Health & Welfare	119,869		119,869	132,429
Cultural & Recreation	1,331,478		1,331,478	1,446,977
Fringe Benefits/Insurance/Contingency	529,700		529,700	401,895
Debt Service	174,577		174,577	128,573
Assessments	9,536,967		9,536,967	8,787,540
Capital Projects	2,143,746		2,143,746	3,216,192
Post Employment Benefits Cost	89,083		89,083	472,603
(Gain)/Loss on Disposal of Assets	(111,598)		(111,598)	40,975
Transfer (from)/to Enterprise Fund	(238,936)	238,936	-	-
<b>Total</b>	<b>24,006,013</b>	<b>4,314,869</b>	<b>28,320,882</b>	<b>31,574,328</b>
<b>Changes in Net Position</b>	<b>2,361,649</b>	<b>(565,808)</b>	<b>1,795,841</b>	<b>(2,929,527)</b>

### Revenues By Source - Governmental and Business-Type Activities



### Expenditures By Source - Governmental and Business Type Activities



#### FINANCIAL ANALYSIS OF THE CITY'S INDIVIDUAL FUNDS

##### Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City's financing requirements. In particular, undesignated fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

**CITY OF ROCKLAND  
STATEMENT OF NET POSITION  
JUNE 30, 2016**

Exhibit A

At the end of the fiscal year, the City's governmental funds reported ending fund balances of \$8,279,852, an increase of \$1,469,795 in comparison with the prior year. Approximately 16.2 percent of this total amount constitutes unassigned fund balance. The remainder is reserved to indicate that it is not available for spending because it has been committed to liquidate contracts and commitments of the prior fiscal year or for a variety of other purposes.

Variances between actual General Fund revenues and expenditures and the final amended budget included the following:

- \$173,333 positive variance in auto excise tax revenue due to budgeting conservatively as in the past few years.
- \$46,079 positive variance in the harbor and waterfront revenues. There was an increase in harbor activity with mooring permits and docking fees increasing.
- \$20,792 positive variance in motor vehicle registration fees revenue due to conservative budgeting.
- \$(25,497) negative variance in the legislative expenditure department. There were more than expected legal fees for general employment advice.
- \$(22,301) negative variance in the executive department due to the creation of an unbudgeted position.
- \$(17,321) negative variance in the city clerk department due to negotiated benefits that were not budgeted for.
- \$25,000 positive variance in engineering. All engineering was completed through project funds.
- \$58,801 positive variance in the police department was due to understaffed personnel which saved employee benefits. Gasoline prices were also lower than budgeted.
- \$(77,854) negative variance in the fire department. The acting city manager agreed to overtime and negotiated benefits that were not budgeted for.
- \$(84,900) negative variance in public works due to the creation of an unbudgeted position.
- \$(63,240) negative variance in recreation. The recreation program was privatized after the first quarter and severance packages were offered to full time employees.
- \$(133,375) negative variance in fringe benefits due to an abnormal number of employee turnovers.
- \$30,220 and \$33,670 positive variance in principal and interest on debt due to budgeting for a salt/sand shed payment that was not approved.
- \$72,731 positive variance in capital leases due to budgeting for a capital lease that was never borrowed and the equipment not purchased.

**Proprietary Funds**

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

**CAPITAL ASSET ADMINISTRATION**

**Capital Assets**

The City's investment in capital assets for its governmental and business-type activities amounts to \$66,939,337, net of accumulated depreciation of \$37,826,489, leaving a net book value of \$29,112,848. Current year additions include \$415,014 for infrastructure, \$47,861 for equipment and vehicles and \$2,880,145 in construction work in process.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances for all citizens, taxpayers, investors and creditors. This financial report seeks to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: City of Rockland, 270 Pleasant Street, Rockland, ME. 04841.

	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
<b>Assets:</b>			
Cash and Equivalents	3,340,904	150	3,341,054
Investments	3,694,725	1,562	3,696,287
Receivables			
Taxes	1,359,060		1,359,060
Tax Liens	340,564		340,564
Accounts	133,265	49	133,314
User Fees, net	699,251	635,271	1,334,522
Loans	355,091		355,091
Tax Acquired Property	70,017		70,017
Prepaid Expenses	205,240	38,378	243,618
Due From Other Governments	1,212,320		1,212,320
Internal Balances	(1,109,842)	1,109,842	-
Due From Fiduciary Fund	5,406		5,406
Capital Assets:			
Land	841,671	1,102	842,773
Other Capital Assets, Net of Depreciation	12,635,410	11,635,647	24,271,057
Construction Work In Process	3,786,817	212,201	3,999,018
<b>Total Assets</b>	<b>27,569,899</b>	<b>13,634,202</b>	<b>41,204,101</b>
<b>Deferred Outflows of Resources:</b>			
Related to Pensions	1,515,585	203,948	1,719,533
<b>Total Deferred Outflows of Resources</b>	<b>1,515,585</b>	<b>203,948</b>	<b>1,719,533</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>29,085,484</b>	<b>13,838,150</b>	<b>42,923,634</b>
<b>Liabilities, Deferred Inflows of Resources and Net Position:</b>			
<b>Liabilities:</b>			
Accounts Payable	348,914		348,914
Retainage Payable	137,149	-	137,149
Accrued Salaries	51,704	10,666	62,370
Payroll Taxes / Deductions	98,781		98,781
Deposits Payable	25,103		25,103
Compensated Absences Payable	1,022,533	93,699	1,116,232
Accrued Interest Payable		78,219	78,219
Long-term Liabilities:			
Net Pension Liability	2,599,010	349,719	2,948,729
Net Post Employment Benefits Obligation	561,686		561,686
Due Within One Year	712,632	527,023	1,239,655
Due in More Than One Year	6,441,698	4,303,043	10,744,741
<b>Total Liabilities</b>	<b>11,999,210</b>	<b>5,362,369</b>	<b>17,361,579</b>
<b>Deferred Inflows of Resources:</b>			
Prepaid Property Taxes	28,458		28,458
Related to Pensions	1,484,212	199,714	1,683,926
<b>Total Deferred Inflows of Resources</b>	<b>1,512,670</b>	<b>199,714</b>	<b>1,712,384</b>
<b>Net Position:</b>			
Net Investment in Capital Assets	10,109,568	7,018,884	17,128,452
Restricted Net Position	2,622,756	30,096	2,652,852
Unrestricted	2,841,280	1,227,087	4,068,367
<b>Total Net Position</b>	<b>15,573,604</b>	<b>8,276,067</b>	<b>23,849,671</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>29,085,484</b>	<b>13,838,150</b>	<b>42,923,634</b>

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

CITY OF ROCKLAND  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit B

Functions/Programs Ordinary Government	Program Revenues		No (Expense) Revenue and Changes in Net Position			
	Expenses	Fees, Fines, and Charges for Services	Operating Grants	Total Governmental Activities	Total Business-Like Activities	Total
Losses on Sale of Capital Assets						
General Government	1,657,053	156,795		(1,498,238)		
Public Safety	4,797,518	742,833	5,648	(4,049,226)		
Public Works	3,975,376	1,946,651	-	(2,031,925)		
Health & Welfare	119,869		29,263	(90,606)		
Cultural & Recreation	1,231,478	615,435	15,600	(711,352)		
Fire & Emergency Services	529,709			(529,709)		
Debt Service	171,577			(171,577)		
Assessments	8,536,867			(8,536,867)		
Capital Projects	2,143,346		3,190,625	1,046,879		
Post Employment Benefits	89,083			(89,083)		
Total Governmental Revenues	24,356,547	3,461,724	3,240,537	(17,654,286)		(17,654,286)
Results of Operations						
Wastewater	4,075,823	3,724,753			(351,070)	(351,070)
Total Business-Like Activities	4,075,823	3,724,753	-		(351,070)	(351,070)
Total Revenues, Governmental	28,432,370	7,186,477	3,240,537	(17,654,286)		(17,654,286)
General Revenues						
Taxes						
Property				16,781,289	16,781,289	
Auto Excise				1,073,333	1,073,333	
Intergovernmental Revenues				2,095,431	2,095,431	
Investment Earnings				17,068	17,068	
Other - Local Sources				810,562	24,388	664,870
Gain/Loss on Disposal of Assets				111,898	111,898	
Interest Earnings				238,926	(238,926)	
Total Payments, Special Items and Transfers				20,015,955	(218,628)	19,800,367
Change in Net Position				2,361,648	(565,898)	1,795,341
Net Position - Beginning				13,211,555	8,811,875	22,023,330
Net Position - Ending				15,573,203	8,245,977	23,819,180

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

CITY OF ROCKLAND  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2016

Exhibit C  
Page 1 of 2

Assets	Spent				Other Governmental Funds	Total Governmental Funds
	General Fund	Federal/State Programs	Capital Projects	Old County Road		
Assets						
Cash and Cash Equivalents	3,241,252	1,716	59,259	-	31,676	3,343,903
Investments	1,462,452	104,303	1,652,947	-	531,525	4,753,227
Taxes Receivable	1,359,860	-	-	-	-	1,359,860
Tax Liens Receivable	140,564	-	-	-	-	140,564
Accounts Receivable	137,265	-	-	-	-	137,265
User Fees Receivable	699,251	-	-	-	-	699,251
Loans Receivable	-	288,153	-	-	66,938	355,091
Due from Other Governmental Funds	201,340	-	-	-	-	201,340
Due from Other Funds	2,305,184	235,993	1,532,417	-	1,376,869	5,450,463
Total Assets	9,757,229	748,042	3,244,623	1,000,000	2,014,006	16,763,900
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities						
Accounts Payable	59	-	-	-	348,855	348,914
Range Payable	-	-	-	-	137,149	137,149
Accrued Salaries	51,704	-	-	-	-	51,704
Payroll Taxes/Contributions	98,781	-	-	-	-	98,781
Due to Other Funds	4,351,574	119,111	555,729	772,311	249,144	6,058,869
Demands Payable	25,103	-	-	-	-	25,103
Total Liabilities	5,427,721	119,111	585,729	782,311	249,144	7,164,346
Deferred Inflows of Resources						
Unavailable Property Taxes	1,257,944	-	-	-	-	1,257,944
Unavailable Revenues - Other Property Taxes	78,096	-	-	-	-	78,096
Total Deferred Inflows of Resources	1,336,040	-	-	-	-	1,336,040
Fund Balances						
Non-Spendable						
Restricted	125,516	628,301	-	241,685	1,481,273	2,476,775
Assigned	1,454,209	-	2,658,894	-	149,495	4,262,598
Unassigned	43,489	-	-	-	6,555	49,044
Total Fund Balances	1,623,214	628,301	2,658,894	241,685	1,637,323	6,033,440
Total Liabilities, Deferred Inflows of Resources and Fund Balances	9,757,229	748,042	3,244,623	1,000,000	2,014,006	16,763,900

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

(Continued)

CITY OF ROCKLAND  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2016

Exhibit C  
Page 2 of 2

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total Fund Balance	8,279,852
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$21,630,006	17,263,898
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:	
Unavailable Revenue - Other	78,096
Unavailable Property Taxes	1,257,944
Deferred outflows of resources related to pension plans	1,515,585
Deferred inflows of resources related to pension plans	(1,484,212)
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Bonds Payable	(6,755,522)
Accrued Compensated Absences	(1,022,533)
Capital Leases Payable	(398,808)
Net Post Employment Benefits Cost	(561,686)
Net Pension Liability	(2,599,010)
Net Position of Governmental Activities	<u>15,573,604</u>

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

Exhibit D  
Page 1 of 2

	General Fund	Special Revenue Fund	Capital Projects		Other Governmental Funds	Total Governmental Funds
		Federal/State Programs	Capital Improvement	Old County Road		
Revenues						
Taxes	17,938,520					17,938,520
Intergovernmental Revenues	1,115,994	2,211,274		1,000,000		4,327,268
Departmental Revenues	3,446,873					3,446,873
Interest	51,354	3,116	51,124	603	17,505	123,702
Change in Fair Value	(14,881)	(1,102)	(17,734)		(12,899)	(46,616)
Other Local Sources	391,875	14,851	141,974		241,958	790,658
Total Revenues	22,919,725	2,228,139	175,364	1,000,603	246,564	26,570,405
Expenditures						
General Government	1,678,865	-				1,678,865
Public Safety	4,799,064	7,149			99	4,806,312
Public Works	2,858,476	15,615			96,646	2,970,737
Health and Welfare	104,070	1,646			14,153	119,869
Culture and Recreation	1,150,258	26,384			549	1,177,191
Fringe Benefits/Insurance/Contingency	465,817	39,340			24,543	529,700
Capital Improvement Projects	25,496					25,496
Debt Service	1,133,518					1,133,518
Assessments	9,536,967					9,536,967
Capital Outlay		2,198,491	51,446	2,275,624	435,330	4,969,891
Total Expenditures	21,752,531	2,284,625	51,446	2,275,624	571,320	26,939,546
Excess of Revenues Over (Under) Expenditures	1,167,204	(60,486)	123,918	(1,275,021)	(324,756)	(369,141)
Other Financing Sources (Uses)						
Bond Proceeds				1,600,000		1,600,000
Transfers from Other Funds	1,278,937	122,544	591,330	-	399,698	2,402,509
Transfers to Other Funds	(2,043,471)	(3)	(16,813)	(83,294)	(19,992)	(2,163,573)
Total Other Financing Sources (Uses)	(764,534)	132,541	574,517	1,516,706	379,706	1,838,956
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	402,670	72,055	698,435	241,685	54,950	1,469,795
Fund Balance - July 1	2,582,840	556,846	1,950,459	-	1,709,912	6,810,057
Fund Balance - June 30	2,985,510	628,901	2,658,894	241,685	1,764,862	8,279,852

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

**CITY OF ROCKLAND**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

*Exhibit D*  
 Page 2 of 2

Net change in fund balances - total governmental funds	1,469,795
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases capitalized	2,939,550
Net disposal of capital assets	(47,292)
Depreciation expense	(1,380,743)
	<u>1,511,515</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Unavailable Revenues - Other	30,045
Unavailable Property Taxes	(73,898)
	<u>(43,853)</u>
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:	
Lease Proceeds	(1,600,000)
Capital lease obligation principal payments	306,721
General obligation bond principal payments	652,220
Net Post Employment Benefits Cost	(89,083)
Pension Plans (Deferred Outflows, Net Pension Liability, Deferred Inflows)	135,782
	<u>(594,360)</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	18,552
	<u>18,552</u>
Change in net position of governmental activities	<u>2,361,649</u>

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

**CITY OF ROCKLAND**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**JUNE 30, 2016**

*Exhibit E*

<i>Assets and Deferred Outflows of Resources:</i>	<i>Wastewater Enterprise</i>
<b>Current Assets:</b>	
Cash and Equivalents	150
Investments	1,562
Invested with General Fund	423,724
Total Cash and Investments	<u>425,436</u>
Receivables	
User Fees, net	635,271
Accounts	49
Prepaid Expense	38,378
Due From Other Funds	686,118
<b>Total Current Assets</b>	<u>1,785,252</u>
<b>Noncurrent Assets:</b>	
Capital Assets, net	11,848,950
<b>Total Noncurrent Assets</b>	<u>11,848,950</u>
<b>Total Assets</b>	<u>13,634,202</u>
<b>Deferred Outflows of Resources:</b>	
Related to Pensions	203,948
<b>Total Deferred Outflows of Resources</b>	<u>203,948</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>13,838,150</u>
<b>Liabilities, Deferred Inflows of Resources and Net Position:</b>	
<b>Liabilities:</b>	
Accrued Salaries	10,666
Accrued Compensated Absences	93,699
Accrued Interest Payable	78,219
Bonds and Notes Payable	527,023
<b>Total Current Liabilities</b>	<u>709,607</u>
<b>Noncurrent Liabilities:</b>	
Net Pension Liability	349,719
Bonds and Notes Payable	4,303,043
<b>Total Noncurrent Liabilities</b>	<u>4,652,762</u>
<b>Total Liabilities</b>	<u>5,362,369</u>
<b>Deferred Inflows of Resources:</b>	
Related to Pensions	199,714
<b>Total Deferred Inflows of Resources</b>	<u>199,714</u>
<b>Net Position:</b>	
Net Investment in Capital Assets	7,018,884
Restricted:	
Reserve Capacity Fee	30,096
Unrestricted	1,227,087
<b>Total Net Position</b>	<u>8,276,067</u>
<b>Total Liabilities and Net Position</b>	<u>13,838,150</u>

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

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

*Exhibit F*

	<u>Proprietary Fund Types</u>
	<u>Wastewater</u>
	<u>Enterprise</u>
Operating Revenues:	
Industrial	2,283,369
Residential	941,781
Commercial	424,562
Chemical Surcharge	56,189
Sewer Reserve Capacity Fee	4,800
Lab Testing	2,687
Interest - Late Penalties	11,365
	<hr/>
Total Operating Revenues:	3,724,753
Operating Expenditures:	
Personnel	723,213
Contracted Services	1,320,387
Commodities	303,465
Equipment Repairs & Replacement	190,920
Preventive Maintenance	303,867
Capital Improvements Programs	154,594
Lease Payments	7,600
Depreciation and Amortization	866,853
	<hr/>
Total Operating Expenditures	3,870,899
Net Operating Income	<hr/> <u>(146,146)</u>
Nonoperating Revenues (Expenses)	
Interest Revenue	47
Change in Fair Value	(16)
Related to Pensions	(51,603)
Nonutility Income, net of expense	24,277
Transfer from/(to) other funds	(238,936)
Interest Expense	(153,431)
	<hr/>
Total Nonoperating Revenue (Expenses)	(419,662)
Change in Net Position	<hr/> <u>(565,808)</u>
Total Net Position - Beginning	<hr/> <u>8,841,875</u>
Total Net Position - Ending	<hr/> <u>8,276,067</u>

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

**CITY OF ROCKLAND**  
**COMBINED STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

*Exhibit G*

	<u>Proprietary Fund Types</u>
	<u>Wastewater</u>
	<u>Enterprise</u>
<i>Cash Flows from Operating Activities</i>	
Received from Customers	3,724,753
Payments to Suppliers	(1,976,966)
Payments to Employees	(723,213)
Other Receipts (Payments)	(266,262)
	<hr/>
Net Cash Provided by (Used in) Operating Activities	758,312
<i>Cash Flows from Capital and Related Financing Activities</i>	
Purchases of Capital Assets	(113,269)
Principal Paid on Capital Debt	(517,082)
Interest Paid on Capital Debt	(153,431)
	<hr/>
Net Cash Used in Capital and Related Financing Activities	(783,782)
<i>Cash Flows from Investing Activities</i>	
Purchase of Investments	(43,030)
Interest and Dividends	31
	<hr/>
Net Cash Provided by (Used in) Investing Activities	(42,999)
Net Increase (Decrease) in Cash and Cash Equivalents	<hr/> <u>(68,469)</u>
Balances - beginning of the year	<hr/> <u>493,905</u>
Balances - end of the year	<hr/> <u>425,436</u>
<i>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</i>	
Net Operating Income (Loss)	(146,146)
Adjustment to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization	866,853
(Increase) Decrease in Accounts Receivable	286,519
(Increase) Decrease in Prepaid Expense	1,942
(Increase) Decrease in Due To/From Other Governments	(308,072)
Increase (Decrease) in Accrued Interest Payable	(22,204)
Increase (Decrease) in Accrued Salaries Payable	5,943
Increase (Decrease) in Compensated Absences Payable	83,588
Increase (Decrease) in Accounts Payable	(10,111)
	<hr/>
Net Cash Provided by (Used in) Operating Activities	<hr/> <u>758,312</u>

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

CITY OF ROCKLAND  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2016

Exhibit H

Assets	Private Purpose Trust Funds			Total
	Rich Education Fund	Farwell Church Benevolent	Police Scholarship Account	
Cash			5,190	5,190
Investments	39,069	6,962		46,031
<b>Total Assets</b>	<b>39,069</b>	<b>6,962</b>	<b>5,190</b>	<b>51,221</b>
<i>Liabilities and Net Position</i>				
Liabilities				
Due to Other Funds	4,000	1,406	-	5,406
<b>Total Liabilities</b>	<b>4,000</b>	<b>1,406</b>	<b>-</b>	<b>5,406</b>
<i>Net Position</i>				
Net Position				
Restricted for Endowment	27,000	5,000	-	32,000
Unrestricted	8,069	556	5,190	13,815
<b>Total Net Position</b>	<b>35,069</b>	<b>5,556</b>	<b>5,190</b>	<b>45,815</b>
<b>Total Liabilities and Net Position</b>	<b>39,069</b>	<b>6,962</b>	<b>5,190</b>	<b>51,221</b>

The notes to financial statements are an integral part of this statement.  
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CITY OF ROCKLAND  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit I

	Private Purpose Trust Funds			Total
	Rich Education Fund	Farwell Church Benevolent	Police Scholarship Account	
<b>Additions</b>				
New Funds			1,411	1,411
Fair Value Increases (Decreases)	1,407	247		1,654
Investment Income	(1,287)	(204)	2	(1,489)
<b>Total Additions</b>	<b>120</b>	<b>43</b>	<b>1,413</b>	<b>1,576</b>
<b>Reductions</b>				
Churches				-
Other Scholarships	4,000		1,306	5,306
<b>Total Reductions</b>	<b>4,000</b>	<b>-</b>	<b>1,306</b>	<b>5,306</b>
<b>Changes in Net Position</b>	<b>(3,880)</b>	<b>43</b>	<b>107</b>	<b>(3,730)</b>
Net Position - July 1	38,949	5,513	5,083	49,545
<b>Net Position - June 30</b>	<b>35,069</b>	<b>5,556</b>	<b>5,190</b>	<b>45,815</b>

The notes to financial statements are an integral part of this statement.  
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Rockland have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Governmental Reporting Entity

The City of Rockland operates under an elected Mayor/Council form of government. The City's major operations include public works, public safety, fire protection, health services, recreation and parks, and general administrative services.

For financial reporting purposes the City includes all organizations, functions and activities in its financial statements for which it exercises oversight responsibility. Oversight responsibility as defined by the Governmental Accounting Standards Board (GASB) includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

In addition to entities, which should be included within these financial statements, the City may enter into agreements with other governments for specific purposes. These agreements are referred to as joint ventures or jointly governed entities. The City participates in the following joint venture:

MUNICIPAL REVIEW COMMITTEE, INC. - The City has entered into an interlocal agreement with several municipalities, PERC, and Bangor Hydro for the long-term goal of handling the disposal of their present and projected volumes of nonhazardous municipal solid waste. The Corporation is administered by its board of directors elected from among Municipal Review Committee's membership by the charter municipalities. Operating revenues of the Corporation are allocated among municipalities on the basis of a weighted average of their share of actual tons of acceptable waste delivered to PERC each quarter and tons each municipality has guaranteed to be delivered to PERC. The City's equity interest for year 2016 is \$1,202,508. This figure has not been included as part of the City's financial statements.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City. Fiduciary activities, whose resources are not available to finance the City's programs, are excluded from the government-wide statements. The material effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and various intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Functional expenses may also include an element of indirect cost, designed to recover administrative (overhead) costs. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Funds are classified into the following categories: governmental, proprietary and fiduciary.

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

The government-wide financial statements are reported using the *total economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and trust fund financial statements. Revenues are recognized when transactions occurred and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Agency funds, reporting only assets and liabilities, have no measurement focus but use the accrual basis of accounting.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, including interest on long-term debt, as well as expenditure related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, sales taxes, interdepartmental charges, and intergovernmental revenues are all considered to be susceptible to accrual. Special assessments are recorded as revenues in the year the assessments become current. Annual installments not yet due are reflected as special assessment receivables and deferred revenues. Other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

- The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Federal/State Funds* are used to account for federal/state grants received.
- The *Capital Improvement Reserves* are used for capital improvement accounts established by the council.
- The *Old County Road Capital Project* is used to account for the activity of the Old County Road capital improvement project.

The City reports the following major proprietary fund:

- The *Wastewater Fund* accounts for the activities of the wastewater operations. The City operates the wastewater collection system and related administrative costs.

Additionally, the City reports the following fund types:

- Permanent Funds* account for monies held in trust by the City, the investment earnings from which may only be used for the operation of the program.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1. Deposits and Investments

The City'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. These investments are not specifically identified with any one fund. Interest is allocated to the individual funds on the basis of average cash balances.

The City may invest in certificates of deposit, in time deposits, and in any securities in which the state investment officer is authorized to invest pursuant to the Maine Statute 5705 Title 30-A and as provided in the authorized investment guidelines of the Maine Statutes 5711 through 5719 in effect on the date the investment is made.

Investments in other funds are carried at fair value, except for short-term investments, which are reported at amortized cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair value, based on relevant market information of similar financial instruments. Income from investments held by the individual funds is recorded in the respective funds as it is earned.

2. Receivables and Payables

Transactions between funds that result in outstanding balances are reported as due to/from other funds.

Property taxes receivable not expected to be collected within 60 days from year end are classified as unavailable revenue. At June 30, \$1,257,944 has been so classified and reported on the general fund balance sheet. Property taxes were levied on August 14, 2015 on property values assessed on April 1. Taxes were due in two installments due on September 26 and March 6, with interest at 7.0% beginning September 27 and March 7. Tax liens are placed on real property within 12 months following the tax commitment date if taxes remain delinquent. The City has the authority to foreclose on property eighteen months after the filing of the liens if the lien amount and associated costs remain unpaid.

3. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maine Employees Retirement System (System) and additions to/deductions from MPERS' fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable pursuant to formal commitments or statutory requirements. Investments are reported at fair value. Investment income is recognized when earned and investment expenses are recorded when incurred.

4. Capital Assets

Capital assets, which property, plant, equipment, and infrastructure (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Fund Equity (Continued)

4. Capital Assets (Continued)

historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed. Property, plant, and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-40
Infrastructure	18-77
Equipment	3-20

5. Compensated Absences

In the fund financial statements, vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Vested or accumulated vacation leave, holiday leave and comp time in the government-wide financial statements is recorded as an expense and liability of the fund as the benefits accrue to employees. In accordance with GASB Statement No. 16, no liability is recorded for nonvesting accumulated right to receive sick pay benefits.

6. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type financial statements. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources.

Under State Law, no municipality can incur debt, which would cause its total outstanding debt, exclusive of debt incurred for school, storm or sanitary sewer, energy facilities, or municipal airports, to exceed 7.50% of its last full state valuation. A municipality may incur debt for schools not exceeding 10%, storm or sanitary sewers 7.50%, and municipal airports, water districts and special purpose districts 3% of its last full state valuation. In no event can the total debt exceed 15% of its last full valuation. Full state valuation is the valuation of taxable property as certified by the State Tax Assessor, adjusted to 100%.

At June 30, the City of Rockland is in compliance with the above requirements.

CITY OF ROCKLAND  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Fund Equity (Continued)

7. Fund Balances/Net Position

Fund Balances

In accordance with Government Accounting Standards Board 54, fund balance reporting and governmental fund type definitions, the City classifies governmental fund balances as follows:

*Non-spendable* - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

*Restricted* - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

*Committed* - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through council approval and does not lapse at year-end.

*Assigned* - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balances may be assigned by the City Council.

*Unassigned* - includes positive fund balance within the general fund which has not been classified within the above mentioned categories and negative fund balance in other governmental funds.

The City considers restricted, committed, assigned, and unassigned amounts to be spent in that order when expenditures for which any of those amounts are available.

The City's unofficial fund balance policy tries to maintain an unassigned fund balance approximating 8% of operating expenditures.

CITY OF ROCKLAND  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

7. Fund Balances/Net Position (Continued)

Fund Balances

The City has identified June 30, 2016 fund balances on the balance sheet as follows:

	General Fund	Federal/State Programs	Capital Improvement Projects	Other Governmental Funds	Total
<u>Non-spendable</u>					
Library Trust Funds Principal				125,381	125,381
				125,381	125,381
<u>Restricted</u>					
Federal/State Programs		628,901			628,901
Municipal Revenue Sharing	145,516				145,516
Library Trust Funds Expendable				295,036	295,036
RCHP Scholarship				5,430	5,430
Berlowsky Park				4,336	4,336
Elizabeth Tyrell				34,069	34,069
Other Special Revenues				8,534	8,534
Pump Station/CSO Project				147,978	147,978
PW Big Dig Project				156,277	156,277
Enr/Museum Sidewalk Rebuild				(33,486)	(33,486)
Old County Road Project				241,685	241,685
Capital Improvements Program				863,099	863,099
	145,516	628,901		1,722,958	2,497,375
<u>Committed</u>					
General Reserves	1,443,011				1,443,011
Tree Planting Fund	11,198				11,198
Coast Guard				2,613	2,613
Veterans Memorial				4,546	4,546
Stormwater Separation Project				78,814	78,814
Capital Improvement Programs				63,480	63,480
Capital Reserve Funds			2,658,894		2,658,894
	1,454,209		2,658,894	149,453	4,262,556
<u>Assigned</u>					
Traffic Improvements Study	43,489				43,489
Shore Village Museum				1,146	1,146
Police DARE				4,462	4,462
Skateboard Park Project				1,049	1,049
Odor Study				2,098	2,098
	43,489			8,755	52,244
<u>Unassigned</u>					
Emergency Medical	(2,856)				(2,856)
General Fund	1,345,152				1,345,152
	1,342,296				1,342,296
<u>Total Fund Balance</u>	<u>2,985,510</u>	<u>628,901</u>	<u>2,658,894</u>	<u>2,006,547</u>	<u>8,279,852</u>

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

7. Fund Balances/Net Position (Continued)

Net Position

Net position is required to be classified into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

*Net Investment in Capital Assets* – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. If there are significant unspent related debt proceeds at year-end, the portions of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets.

*Restricted* This component of net position consists of restrictions placed on net position use through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or law or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

*Unrestricted* – This component consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

General government revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the City's operations. Once adopted by the Council, transfers may be made by resolution from one line item to another. General Fund appropriations, except for capital expenditures, shall lapse at the close of the fiscal year to the extent that it has not been expended or encumbered. State statutes require balanced budgets but provide for the use of beginning fund balance to achieve that end.

At least 45 days prior to the beginning of each fiscal year, the City Manager shall submit to the Council a budget for the ensuing fiscal year. The budget is prepared by fund, municipal department and capital expenditures, and includes information on the past year, current year and requests for the ensuing fiscal year.

After public hearing, the council may adopt the budget with or without amendment. In amending the budget it may add or increase programs, items and amounts, and may delete or decrease any program or amount, except expenditures required by law or for debt service for estimated cash deficit, provided that no amendment to the budget shall increase the authorized expenditures to an amount greater than the total of estimated income.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

The council shall adopt the budget on or before the fifteenth day of the twelfth month of the fiscal year currently ending. If it fails to adopt the budget by this date, the amounts appropriated for current operation for the current fiscal year shall be deemed adopted for the ensuing fiscal year on a month to month basis, with all items in it prorated accordingly, until such time as the council adopts a budget for the ensuing fiscal year. Adoption of the budget shall constitute appropriations of the amounts specified therein as expenditures from the funds indicated and shall constitute a levy of the property tax therein proposed.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments are carried forward to supplement appropriations of the subsequent year.

The General Fund reserved for encumbrances at June 30 is detailed in Exhibit A-2 and totals \$0.

B. Budget/GAAP Reconciliation

The Statement of Revenues, Expenditures -Budget and Actual (Exhibit G) reconciles financial data on a budgetary basis for the government's general fund to the data shown on the Combined Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit D). The differences are that encumbrances are recorded as the equivalent of expenditures (budget) as opposed to a reservation of fund balance (GAAP).

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State Statute 5706 require banks to give bond or to pledge government securities (types of which are specifically identified in the Statutes) to the City in the amount of the City's deposits. The Statutes allow pledged securities to be reduced by the amount of Federal Deposit Insurance Corporation (FDIC).

One or more of the financial institutions holding the Town's cash accounts are participating in the FDIC Transaction Account Guarantee Program. Under the program all interest bearing and non-interest bearing accounts, are aggregated and insured up to \$250,000 in total by the FDIC. Any cash deposits or certificates of deposits in excess of the \$250,000 FDIC limits are covered by collateral held in a Federal Reserve pledge account or by an agent for the Town and thus no custodial risk exists.

At year-end, the government's carrying amount of deposits was \$3,346,244 and the bank balance was \$4,579,435, which were all insured/collateralized.

CITY OF ROCKLAND  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Investments

At June 30, 2016, the City's investments, maturities and credit ratings are as follows:

Type	June 30, 2016					Credit Rating	
	Fair Value	Maturities in Years				S&P	Moody's
		Less Than 1	1-5	6-10	More than 10		
Corporate Bonds	130,521		130,521			A+	Aa3
Corporate Bonds	-					A-	A3
Corporate Bonds	152,287			152,287		A-	Ba2
Corporate Bonds	160,916			160,916		A	Ba2
Corporate Bonds	100,175		100,175			A	Baa3
Corporate Bonds	187,515		187,515			A-	Baa1
Corporate Bonds	126,924		126,924			A-	Baa2
Corporate Bonds	135,792		135,792			AA+	Aa1
Corporate Bonds	25,059		25,059			AA-	Aa3
Corporate Bonds	130,278		130,278			BB+	Baa3
Corporate Bonds	230,436		230,436			BBB+	Baa1
Corporate Bonds	124,376	25,065	99,311			BBB+	Baa2
Corporate Bonds	87,167			87,167		BBB+	B1
Corporate Bonds	132,054		132,054			BBB	Baa1
Corporate Bonds	211,191		184,159	27,032		BBB	Baa3
Corporate Bonds	127,031	127,031				BBB	Ba3
Corporate Bonds	137,491			137,491		BBB-	B1
Corporate Bonds	121,250		121,250			BBB-	Ba1
Corporate Bonds	125,824		125,824			BBB-	Baa2
Corporate Bonds	49,698		49,698			BBB-	
U.S. Government Obligations	110,175		110,175			AA	Aa2
Mutual Funds	1,136,158	1,136,158				Not rated	Not rated
<b>Total</b>	<b>3,742,318</b>	<b>1,288,254</b>	<b>1,889,171</b>	<b>564,893</b>			

CITY OF ROCKLAND  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Summary of Deposits and Investment Balances

Following is a reconciliation of the City's deposit and investment balances as of June 30, 2016:

Deposits and Cash on Hand	\$ 3,346,244			
Investments	\$ 3,742,318			
	<u>\$ 7,088,562</u>			
		Government-wide	Business-Type	Fiduciary
		Statement of	Statement of	Statement of
		Net Position	Net Position	Net Position
Cash and Cash Equivalents	\$ 3,340,904	\$ 150	\$ 5,190	\$ 3,346,244
Investments	\$ 3,694,725	\$ 1,562	\$ 46,031	\$ 3,742,318
	<u>\$ 7,035,629</u>	<u>\$ 1,712</u>	<u>\$ 51,221</u>	<u>\$ 7,088,562</u>

B. Property Taxes

Property taxes were levied for the fiscal year as follows:

Assessed Value	780,948,600
Tax Rate (per \$1,000)	<u>21.20</u>
Commitment	<u>16,556,110</u>
Appropriations	20,695,552
Less:	
State Municipal Revenue Sharing	464,558
Estimated Revenues	3,218,220
BETE Reimbursement	307,741
Homestead Reimbursement	<u>148,923</u>
	4,139,442
Net Assessment for Commitment	<u>16,556,110</u>

Supplemental taxes totaling \$13,566 were committed for collection during the year. Uncollected taxes at June 30 for the current year commitment totaled \$1,066,550, which represents tax collection of 93.6% of current year commitment. Unpaid liens at June 30 totaled \$340,564.

CITY OF ROCKLAND  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

C. Interfund Receivables and Payables

Individual fund interfund receivable and payable balances at June 30, 2016, were as follows:

	Interfund Receivable	Interfund Payable
General Fund	2,208,184	5,231,574
Special Revenue Funds:		
Federal/State Funds	235,993	119,141
Shore Village Museum		4,485
Police DARE		63
RCHP Scholarship		8,000
Elizabeth Tyrell	34,069	
Odor Study	2,098	
Veterans Memorial	534	
Community Arts & Development	7,906	
Library Booktalk Podcast	100	
Midcoast Veterans Memorial	528	
Stormwater Separation Project	78,814	
Capital Project Funds		
Pump Station/CSO Project	147,978	
Capital Improvement Projects	948,565	64,358
Public Works Big Dig	156,277	
Capital Reserve Funds	1,532,417	585,729
Eim/Museum Sidewalk Rebuild		33,486
Old County Road Project		272,311
Permanent Funds		138,752
Fiduciary Funds		5,406
Wastewater Enterprise Fund	1,109,842	-
Totals	<u>6,463,305</u>	<u>6,463,305</u>

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. On the Governmental Fund financial statements, the payables are classified as Due to Other Funds with offsetting receivables on the Governmental Fund financial statements classified as Due from Other Funds. The majority of the above balances represent amounts owed in relation to continuing and future projects. The balances will be repaid upon need of those funds for those projects.

CITY OF ROCKLAND  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	841,671			841,671
Construction Work in Process	1,378,872	2,802,145	(394,200)	3,786,817
	<u>2,220,543</u>	<u>2,802,145</u>	<u>(394,200)</u>	<u>4,628,488</u>
<i>Capital assets being depreciated:</i>				
Buildings	6,636,194			6,636,194
Equipment	8,705,399	47,861	(184,538)	8,568,722
Infrastructure	18,576,755	483,745		19,060,500
<b>Total capital assets being depreciated</b>	<u>33,918,348</u>	<u>531,606</u>	<u>(184,538)</u>	<u>34,265,416</u>
<i>Less accumulated depreciation for:</i>				
Buildings	2,519,368	160,962		2,680,330
Equipment	6,257,959	444,322	(137,245)	6,565,036
Infrastructure	11,609,181	775,459		12,384,640
<b>Total accumulated depreciation</b>	<u>20,386,508</u>	<u>1,380,743</u>	<u>(137,245)</u>	<u>21,630,006</u>
<b>Net capital assets being depreciated</b>	<u>13,531,840</u>	<u>(849,137)</u>	<u>(47,293)</u>	<u>12,635,410</u>
<b>Governmental Activities:</b>				
<b>Capital Assets, net</b>	<u>15,752,383</u>	<u>1,953,008</u>	<u>(441,493)</u>	<u>17,263,898</u>

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

<u>Governmental Activities</u>	
General Government	40,130
Public Safety	106,944
Public Works, including general infrastructure assets	1,020,312
Culture and Recreation	213,357
<b>Total Depreciation Expense - Governmental Activities</b>	<u>1,380,743</u>

CITY OF ROCKLAND  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	1,102			1,102
Construction Work in Process	212,201	78,000	(290,201)	-
<i>Capital assets being depreciated</i>				
Buildings	6,266,512	-		6,266,512
Equipment	751,568			751,568
Infrastructure	20,700,781	325,470		21,026,251
<b>Total capital assets being depreciated</b>	<b>27,718,861</b>	<b>325,470</b>	<b>-</b>	<b>28,044,331</b>
<i>Less accumulated depreciation for:</i>				
Buildings	1,160,241	250,018		1,410,259
Equipment	647,738	19,935		667,673
Infrastructure	13,521,651	596,900		14,118,551
<b>Total accumulated depreciation</b>	<b>15,329,630</b>	<b>866,853</b>	<b>-</b>	<b>16,196,483</b>
<b>Net capital assets being depreciated</b>	<b>12,389,231</b>	<b>(541,383)</b>	<b>-</b>	<b>11,847,848</b>
<b>Business-type Activities:</b>				
<b>Capital Assets, net</b>	<b>12,390,333</b>	<b>(463,383)</b>	<b>-</b>	<b>11,848,950</b>

CITY OF ROCKLAND  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital Leases

The City is obligated under certain leases accounted for as capital leases. The related obligations are accounted for in Governmental Funds. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30:

<u>Year Ended June 30,</u>	<u>Minimum Lease Payment</u>
2017	170,938
2018	170,940
2019	71,167
<b>Total Minimum Lease Payments</b>	<b>413,045</b>
<b>Less: Amount Representing Interest</b>	<b>(14,237)</b>
<b>Present Value of Future Minimum Lease Payments</b>	<b>398,808</b>

F. Long-Term Debt

1. General Obligation Bonds and Notes

The government issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and notes currently outstanding are as follows:

<u>Purpose General Obligation</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
2003 Refinanced 1999 Sewer & CSO Bond	10/1/2018	1.550%	396,933
2006 Fire Truck	11/1/2021	1.85 - 6.0%	240,000
2006 CSO/Pump Station Upgrade	5/8/2032	1.550%	769,770
2007 CSO/Pump Station Upgrade	11/10/2026	1.1 - 5.3%	628,873
2008 Fire Truck	2/5/2023	4.440%	172,573
2012 Library Efficiency Upgrades	6/25/2017	2.220%	18,626
2012 Recreation Center Water Intrusion	9/1/2023	1.870%	472,500
2012 Capital Purchases Loan	11/25/3088	2.290%	90,186
2012 Public Works Big Dig	9/7/2040	2.750%	2,256,701
2013 CIP Summer Street, Library and Storm Camera	4/1/2019	1.530%	69,360
2014 Pen Bay Acres Drainage Project	2/7/2024	2.590%	40,000
2016 Old County Road Project	11/1/2036	.91% - 3.5%	1,600,000
			<u>6,755,522</u>

CITY OF ROCKLAND  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-Term Debt (continued)

1. General Obligation Bonds and Notes (continued)

Purpose Proprietary	Maturity Date	Interest Rate	Amount
2003 Refinanced 1999 Sewer & CSO Bond	10/1/2018	1.550%	1,153,145
2006 CSO/Pump Station Upgrade	5/8/2032	1.550%	897,120
2007 CSO/Pump Station Upgrade	11/10/2026	1.1 - 5.3%	738,243
2012 PCF Project	8/11/2040	2.150%	<u>2,041,558</u>
Total Proprietary Debt			<u>4,830,066</u>
Total Debt			<u>11,585,588</u>

Annual debt service requirements to maturity for general obligation bonds and notes including interest of \$3,594,098 are as follows:

Year Ended June 30,	General Obligation Debt	Proprietary Debt	Total
2017	740,648	677,933	1,418,581
2018	707,786	678,219	1,386,005
2019	668,749	678,373	1,347,122
2020	529,598	286,935	816,533
2021	525,722	286,848	812,570
2022-2026	2,126,955	1,434,889	3,561,844
2027-2031	1,539,079	1,094,635	2,633,714
2032-2036	1,209,220	780,646	1,989,866
2037-2041	711,520	501,931	1,213,451
Total	<u>8,759,277</u>	<u>6,420,409</u>	<u>15,179,686</u>

CITY OF ROCKLAND  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-Term Debt (Continued)

2. Changes in Long-Term Liabilities

The following is a summary of long-term debt transactions of the City of Rockland for the fiscal year ended June 30, 2016:

	General Obligation Debt	Proprietary Debt	Total
Long-term Debt payable July 1, 2015	5,807,742	5,347,146	11,154,888
Debt Issued	1,600,000	-	1,600,000
Debt Retired	(652,220)	(517,080)	(1,169,300)
Long-term Debt payable June 30, 2016	<u>6,755,522</u>	<u>4,830,066</u>	<u>11,585,588</u>

3. Overlapping Debt

The City's proportionate share of debt of all local government units which provide services within the City's boundaries, and which must be borne by properties in the City is summarized as follows:

Units	Net debt outstanding June 30, 2016	Percentage applicable to the Town	Town's proportionate share of debt
Regional School Unit #13	1,536,811	41.85%	643,226
Knox County	<u>2,565,000</u>	10.48%	<u>268,720</u>
Totals	<u>4,101,811</u>		<u>911,945</u>

The City's proportionate share of the City and School District debt is paid through annual assessments by the respective units.



**CITY OF ROCKLAND  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)**

**G. Permanent Funds**

The principal amount of all Non-expendable Trust Funds is restricted either by law or by terms of individual bequests in that only income earned may be expended. The government's Non-expendable and Expendable Trust Funds at June 30 are detailed as follows:

<i>Non-expendable</i>	<i>Principal</i>	<i>Income</i>
Cemetery Care	-	17,781
Haines Charity	57,581	194,802
Keywood Library	-	58,126
Leach Library	50,000	13,774
Cleveland/Bostick Library	10,000	208
Flower	1,000	6,109
Monroe Highway	200	5,576
Library	6,600	(1,340)
Total	<u>125,381</u>	<u>295,036</u>

**NOTE 4 - OTHER INFORMATION**

**A. Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor, cannot be determined at this time, although the government expects such amount, if any to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of management that resolution of these matters will not have a material adverse effect on the financial condition of the government.

**B. Pension Plans**

**Plan Description**

The City's employees are covered under the ICMA or Maine Public Employees Retirement System.

The ICMA RC (International City Management Association Retirement Corporation) is a qualified defined contribution plan created in accordance with Internal Revenue Code Section 457. The plan, available to all regular, full-time City 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 as defined by the Internal Revenue Code provisions.

The plan is administered by an independent company, and the City remits all compensation deferred to this administrator for investment as requested by the participant employees. All compensation deferred and funded under the plan, all investments purchased and all income attributable thereto are held in trust for the exclusive benefit of participants and their beneficiaries.

**CITY OF ROCKLAND  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 4 - OTHER INFORMATION (Continued)**

**B. Pension Plan (continued)**

**Funding Policy**

Under the ICMA plan, covered employees contribute 5% of their salary to the plan with the City contributing 5%. The City's contributions for the fiscal years ended June 30, 2014, 2015 and 2016 were \$59,751, \$59,478 and \$61,250 respectively, which were paid in full each year.

**C. Defined Benefit Employee Pension Plan**

**Plan Description**

Qualifying personnel of the City of Rockland, Maine participate in the Maine Public Employees Retirement System (MPERS) Participating Local Districts (PLD) Consolidated Retirement Plan. This Plan is a multiple-employer, cost-sharing pension plan. The City participates in the PLD Regular AC and Special 3C plans.

Benefit terms are established in Maine Statute. The PLD Consolidated Plan has an advisory group, established by statute that review the terms of the Plan and periodically make recommendations to the Legislature to amend the terms. MPERS's retirement programs provide defined retirement benefits based on member's average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occur upon the earning of five years of service credit. In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For PLD members, normal retirement age is 60. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement.

**Pension Benefits**

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

**Member and Employer Contributions**

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. Member and employer contribution rates are each a percentage of applicable member compensation. Member contribution rates are defined by law or Board rule and depend on the terms of the plan under which a member is covered. Employer contribution rates are determined through actuarial valuations. For the year ended June 30, 2016, the PLD Plan member contribution rates were 7.5% and 9.0% for the AC Plan and 3C Plan respectively and the employer contribution rates were 8.9% for the AC Plan and 11.4% for the 3C Plan of applicable member compensation.

CITY OF ROCKLAND  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2016

NOTE 4 - OTHER INFORMATION (Continued)

D. Defined Benefit Employee Pension Plan (continued)

Member and Employer Contributions (continued)

The required contributions paid into the System for the ended June 30, 2016 and the previous two years are as follows:

PLD Plan:

For the year ended June 30,	Employee Contributions	Employer Contributions	Applicable
			Member Compensation
2016	\$ 353,023	\$ 429,799	\$ 4,145,327
2015	\$ 313,020	\$ 377,269	\$ 3,949,799
2014	\$ 283,238	\$ 334,669	\$ 3,822,217

Revenue Recognition

Employer contributions to the System are recognized as additions in the period when they become due pursuant to formal commitments or statutory requirements. Investment income is recognized when earned and investment expenses are recorded when incurred. The Schedules of Employer Allocations for the PLD Plan reflect current year employer contributions, adjusted to remove contributions related to employer specific liabilities to the Plans. Certain employers have individual un-pooled pension assets resulting from the closure of individual single employer plans upon joining the PLD Consolidated Plan. For those employers, current year contributions are adjusted to reflect the gross contributions due for service prior to applying an offset from these assets, if applicable. An offset occurs when an employer with un-pooled pension assets held by MPERS chooses to use a portion of these assets to cover the cost of current contributions due.

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

As of June 30, 2016, the City of Rockland reported a net pension liability of \$2,948,729 for the PLD Plan. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of that date. The City of Rockland, Maine's proportion of the net pension liability was based on a projection of the City of Rockland, Maine's long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At June 30, 2015, the City of Rockland, Maine's proportion was .924232%, which was a decrease of .041167% from its proportion measured at June 30, 2014.

CITY OF ROCKLAND  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2016

NOTE 4 - OTHER INFORMATION (Continued)

D. Defined Benefit Employee Pension Plan (continued)

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

For the fiscal year ended June 30, 2016, the City of Rockland, Maine recognized pension expense of \$723,413. At June 30, 2016, the City's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	119,059	378,715
Changes in Assumption	260,589	-
Net Difference between projected between projected and actual earnings on pension plan investments	910,086	1,132,864
Changes in proportion and differences between employer contributions and proportionate share of contributions		172,347
Employer Contributions made subsequent to measurement date	429,799	
	<u>1,719,533</u>	<u>1,683,926</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	PLD Plan
2017	(200,785)
2018	(200,785)
2019	(220,144)
2020	(227,521)

**CITY OF ROCKLAND  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 4 - OTHER INFORMATION (Continued)**

**D. Defined Benefit Employee Pension Plan (continued)**

**Actuarial Assumptions**

The collective total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>PLD Plan</u>
Investment Rate of Return:	7.125% per annum compounded annually
Salary Increases, Mert and Inflation:	3.5% to 9.5% per year
Cost of Living Benefit:	3.12% per annum for PLD's

For the City employees, the mortality rate is based on the RP2000 Combined Mortality Tables for males and females using Scale AA with a two year set back.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study performed in 2011 and covered the period July 1, 2005 – June 30, 2010. The rate of investment return assumption decreased from 7.25% to 7.125% for the PLD Plan as of 6/30/15.

The long-term expected rate of return on pension plan investments were determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equities	20%	5.2%
Non-US Equities	20%	5.5%
Private Equity	10%	7.6%
Real Assets:		
Real Estate	10%	3.7%
Infrastructure	10%	4.0%
Hard Assets	5%	4.8%
Fixed Income	25%	0.0%
	<u>100%</u>	

**CITY OF ROCKLAND  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 4 - OTHER INFORMATION (Continued)**

**D. Defined Benefit Employee Pension Plan (continued)**

**Discount Rate**

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

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.125% for the PLD Plan as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

<b>PLD Plan:</b>	<u>1% Decrease (6.125%)</u>	<u>Current Discount Rate (7.125%)</u>	<u>1% Increase (8.125%)</u>
Proportionate Share of the Net Pension Liability	\$ 5,874,741	\$ 2,948,729	\$ 174,688

**Pension Plan Financial and Actuarial Information**

Additional financial information and actuarial information can be found in the Maine PERS' Actuarial Valuation Reports available online at [www.mainePers.org](http://www.mainePers.org) or contacting MPERS at (207) 512-3100.

**E. Other Postemployment Benefits**

The City sponsors a post-retirement benefit plan providing health insurance to retired employees who have 25 or more years of full-time service with the City and retire after July 1, 1997. Employees hired after July 1, 1997 are not eligible for this benefit. The City pays 25% of the retired employee's annualized health insurance premiums for the year, including health insurance for dependents for as long as the eligible employee is living. The City's cost for 2016 was \$30,734.

The Governmental Accounting Standards Board (GASB) promulgated its Statement 45 which addressed the reporting and disclosure requirements for other post employment benefits (OPEB). Under this pronouncement, it requires that the long-term cost of retirement health care and obligations for other postemployment benefits be determined on an actuarial basis and reported similar to pension plans.

The City is a member of the Maine Municipal Employees Health Trust. The Trust is an agent multiple employer Voluntary Employee's Beneficiary Association. The City is an individually rated member within the Association. The Trust issues a publicly available financial report. That report may be obtained by writing to the Maine Municipal Association at 60 Community Drive, Augusta, ME 04332. The Trust contracted with an outside consultant to assist in the determination and valuation of the City's OPEB liability under GASB Statement 45. The most recent OPEB liability actuarial valuation was completed by the consultants in July 2015.

CITY OF ROCKLAND  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 4 - OTHER INFORMATION (Continued)

E. Other Postemployment Benefits (continued)

**Plan Descriptions** – In addition to providing pension benefits, the City provides health care benefits for certain retired employees. Eligibility to receive health care benefits follows the same requirements as MainePERS. Eligible retirees are required to pay 100% of the health insurance premiums to receive health benefit coverage.

**Funding Policy and Annual OPEB Cost** – GASB Statement 45 does not mandate the prefunding of postemployment benefits liability. The City currently plans to fund these benefits on a pay-as-you-go basis primarily from the general fund. No assets have been segregated and restricted to provide postemployment benefits. The annual required contribution (ARC), an actuarial determined rate, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities over a period not to exceed thirty years.

**Net OPEB Obligation**

The table below shows the development of the Net OPEB Obligation for the fiscal year ending June 30, 2014 and projects the Net OPEB Obligation for the fiscal years ending June 30, 2015, June 30, 2016 and are assumed to be the City's portion of actual premium payments for the retirees reported. Actual payments may vary.

	Projected 6/30/2016	Projected 6/30/2015	6/30/2014
Net OPEB Obligation, beginning of year	\$ 472,603	\$ 381,121	\$ 283,089
Annual required contribution	\$ 127,109	\$ 127,109	\$ 126,079
Interest on Net OPEB Obligation	\$ 18,904	\$ 15,245	\$ 11,324
Less: Adj. to Annual Required Contributions	\$ (27,331)	\$ (22,040)	\$ (16,371)
Annual OPEB Cost	\$ 118,682	\$ 120,314	\$ 121,032
Less: Employer Contributions - Explicit premiums	\$ (29,599)	\$ (28,832)	\$ (23,000)
Net OPEB Obligation, end of year	\$ 561,686	\$ 472,603	\$ 381,121

\*The employer contribution amount above is net of any participant premiums. The amount above is an estimate and subject to update and change. The projections for 2016 reflect the same results determined for year 2015 in accordance with how GASB applies biannual valuations.

**Schedule of Funding Progress**

The schedule of funding progress compares the assets used for funding purposes to the comparable liabilities to determine how well the Plan is funded and how this status has changed over the past several years. The actuarial liability is compared to the actuarial value of assets to determine the funding ratio. The actuarial liability under GASB is determined assuming that the Plan is ongoing and participants continue to terminate employment, retire, etc., in accordance with the actuarial assumptions.

CITY OF ROCKLAND  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 4 - OTHER INFORMATION (Continued)

E. Other Postemployment Benefits (continued)

Table V-2  
Schedule of Funding Progress

Fiscal Year Ending	Actuarial Value of assets (a)	Actuarial Liability (b)	Unfunded Actuarial Liability (UAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll c	(UAL) as Percentage of Covered Payroll ((b-a)/c)
6/30/2016	\$ -	\$ 1,571,870	\$ 1,571,870	0%	\$ -	N/A
6/30/2015	\$ -	\$ 1,571,870	\$ 1,571,870	0%	\$ -	N/A
6/30/2014	\$ -	\$ 1,445,644	\$ 1,445,644	0%	\$ -	N/A
6/30/2013	\$ -	\$ 1,445,644	\$ 1,445,644	0%	\$ -	N/A
6/30/2012	\$ -	\$ 787,686	\$ 787,686	0%	\$ -	N/A
6/30/2011	\$ -	\$ 787,686	\$ 787,686	0%	\$ -	N/A
6/30/2010	\$ -	\$ 794,983	\$ 794,983	0%	\$ -	N/A

**Schedule of Employer Contributions**

The schedule of employer contributions shows whether the employer has made contributions that are consistent with the parameters established by GASB for calculating the ARC and the annual OPEB expense.

Table V-3  
Schedule of Employer Contributions

Fiscal Year Ending	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
2016	\$ 118,682	To be determined	To be determined
2015	\$ 120,314	To be determined	To be determined
2014	\$ 121,032	19.0%	\$ 381,121
2013	\$ 122,811	18.7%	\$ 283,089
2012	\$ 57,473	46.8%	\$ 183,278
2011	\$ 58,101	39.5%	\$ 152,685
2010	\$ 87,223	35.7%	\$ 117,520
2009	\$ 88,318	30.5%	\$ 61,408

Table V-6  
Note to Required Supplemental Information

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows.

Valuation Date	January 1, 2015
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar Open
Amortization Period	30 years
Asset Valuation Method	N/A
Actuarial Assumptions:	
Discount Rate	4.00%
Rate of Salary Increases	3.00%
Ultimate Rate of Medical Inflation	4.25%

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 4 - OTHER INFORMATION (Continued)**

**F. Deficit Fund Balance**

The Elm/Museum Street Sidewalk Rebuild Project ended the year in a deficit balance of (\$33,485.84). The deficit was due to approving expenditures from the project and using future years' revenues from the Downtown Tax Increment Reserve fund. This was included in the management finding #2016-001.

The EMS fund also ended the year with a deficit fund balance in the amount of (\$2,856.47). The fund ended in a deficit from adjusting the reserve for bad debts expense to the projected balance at year end.

**CITY OF ROCKLAND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**PENSION PLAN SCHEDULES - LAST 10 FISCAL YEARS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Exhibit J

*Schedule 1 - Proportionate Share of the Net Pension Liability*

	<b>Town Participating Local Districts Plan</b>	
	<i>For the Fiscal Year Ended June 30, 2016</i>	<i>For the Fiscal Year Ended June 30, 2015</i>
Proportion of net pension liability	0.924232%	0.965399%
Proportionate share of net pension liability	\$2,948,729	\$1,485,567
Covered employee payroll	\$4,145,327	\$3,822,217
Proportionate share of the net pension liability as a percentage of its covered employee payroll	71.13%	38.87%
Plan Total Pension Liability	\$2,720,936,009	\$2,609,657,845
Plan Fiduciary Net Position	\$2,401,889,308	\$2,455,776,671
Plan Net Pension Liability	<u>\$319,046,701</u>	<u>\$153,881,174</u>
Plan Fiduciary Net Position as a % Of the Total Pension Liability	88.274%	94.103%
Plan Covered Employee Payroll	\$497,616,846	\$460,029,637
Plan Net Pension Liability as a % Of the Covered Employee Payroll	64.115%	33.450%

\* Amounts presented for each fiscal year were determined as of June 30. A full year schedule will be displayed as it becomes available.

*Schedule 2 - Schedule of Town Contributions*

	<i>For the Fiscal Year Ended June 30, 2016</i>	<i>For the Fiscal Year Ended June 30, 2015</i>
Contractually required contribution	\$429,799	\$339,745
Contribution in relation to the contractually required contribution	<u>(\$429,799)</u>	<u>(\$339,745)</u>
Contribution deficiency	<u>\$0</u>	<u>\$0</u>
Covered employee payroll	\$4,145,327	\$3,822,217
Contributions as a percentage of covered employee payroll	10.37%	8.89%

\* Amounts presented for each fiscal year were determined as of June 30. A full year schedule will be displayed as it becomes available.

**CITY OF ROCKLAND  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

*Exhibit K*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>				
Taxes	17,634,110	17,644,110	17,928,520	284,410
Intergovernmental Revenues	602,569	602,569	605,742	4,173
Departmental Revenues	899,720	899,720	954,280	54,560
Other Local Sources	284,300	284,300	310,462	26,162
<b>Total Revenues</b>	<u>19,420,699</u>	<u>19,430,699</u>	<u>19,800,004</u>	<u>369,305</u>
<b>Expenditures (Net of Departmental Revenues)</b>				
Current:				
General Government	1,655,152	1,655,152	1,678,865	(23,713)
Public Safety	4,510,159	4,510,159	4,524,999	(14,840)
Public Works	1,604,092	1,604,092	1,688,992	(84,900)
Health and Welfare	102,040	102,040	104,070	(2,030)
Culture and Recreation	1,074,848	1,074,848	1,148,758	(73,910)
Fringe Benefits/Insurance/Contingency	344,897	344,897	432,387	(87,490)
Capital Improvement Projects	25,496	25,496	25,496	-
Assessments	9,786,856	9,786,856	9,536,967	249,889
Debt Service	1,123,772	1,123,772	984,651	139,121
<b>Total Expenditures</b>	<u>20,227,312</u>	<u>20,227,312</u>	<u>20,125,185</u>	<u>102,127</u>
<b>Excess Revenues Over Expenditures</b>	(806,613)	(796,613)	(325,181)	471,432
<b>Other Financing Sources</b>				
Transfers from Other Funds	1,135,353	1,135,353	1,135,353	-
Transfers to Other Funds	(468,240)	(478,240)	(713,030)	(234,790)
<b>Total Other Financing Sources</b>	<u>667,113</u>	<u>657,113</u>	<u>422,323</u>	<u>(234,790)</u>
<b>Net Change in Fund Balance</b>	<u>(139,500)</u>	<u>(139,500)</u>	<u>97,142</u>	<u>236,642</u>
<b>Beginning Fund Balances - Budgetary Basis</b>			1,248,010	
<b>Ending Fund Balances - Budgetary Basis</b>			1,345,152	
<b>Adjustments to Conform to GAAP:</b>				
Elimination of Encumbrances			-	
<b>Ending Fund Balances - GAAP Basis</b>			<u>1,345,152</u>	

**CITY OF ROCKLAND  
GENERAL FUND  
STATEMENT OF ESTIMATED AND ACTUAL REVENUES  
FOR THE YEAR ENDED JUNE 30, 2016**

*Exhibit A-1  
Page 1 of 2*

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Taxes</b>			
Property	16,566,110	16,643,574	77,464
Auto Excise	900,000	1,073,333	173,333
Interest and Lien Charges	118,000	125,344	7,344
Payment in Lieu of Taxes	60,000	86,269	26,269
	<u>17,644,110</u>	<u>17,928,520</u>	<u>284,410</u>
<b>Intergovernmental Revenues</b>			
Welfare Reimbursement	30,000	22,863	(7,137)
Veterans Reimbursement	10,000	12,395	2,395
Tree Growth	11,000	12,723	1,723
Homestead Reimbursement	148,923	148,923	-
BETE Reimbursement	307,741	307,887	146
Police Grants	94,905	101,951	7,046
	<u>602,569</u>	<u>606,742</u>	<u>4,173</u>
<b>Departmental Revenues</b>			
Police	68,400	72,054	3,654
Fire	41,813	34,188	(7,625)
Assessment	200	401	201
Finance	-	770	770
Legal	1,000	1,741	741
Code Enforcement	73,484	75,671	2,187
Public Works	91,185	90,649	(536)
Fish Pier	144,250	144,831	581
Harbor and Waterfront	272,138	318,217	46,079
Library	113,700	123,343	9,643
Recreation	31,500	29,054	(2,446)
City Clerk	57,050	55,830	(1,220)
Community Development	5,000	7,531	2,531
	<u>899,720</u>	<u>954,280</u>	<u>54,560</u>

**CITY OF ROCKLAND  
GENERAL FUND  
STATEMENT OF ESTIMATED AND ACTUAL REVENUES  
FOR THE YEAR ENDED JUNE 30, 2016**

*Exhibit A-1  
Page 2 of 2*

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Other Local Sources			
Interest on Investments	3,500	9,507	6,007
Interest on Accounts Receivable	2,000	1,178	(822)
Motor Vehicle Registration Fees	190,000	210,792	20,792
Camden and Rockport Water	15,000	11,182	(3,818)
Cable Franchise Fee	70,000	69,668	(332)
Photocopies	200	204	4
Miscellaneous Payments	-	5,000	5,000
City Lease Revenue	3,600	2,700	(900)
Other		231	231
	<u>284,300</u>	<u>310,462</u>	<u>26,162</u>
Transfers and Other Sources			
Municipal Revenue Sharing	464,558	464,558	-
Administration Fee from Wastewater	153,313	153,313	-
Emergency Medical	324,735	324,735	-
Library Trust Fund	8,443	8,443	-
Transfer Station Fund	92,304	92,304	-
Tilliso TIF Reserve	92,000	92,000	-
	<u>1,135,353</u>	<u>1,135,353</u>	<u>-</u>
<b>Total Revenues and Transfers</b>	<b>20,566,052</b>	<b>20,935,357</b>	<b>369,305</b>
Beginning Fund Balance Used	139,500		
<b>Total</b>	<b>20,705,552</b>		

**CITY OF ROCKLAND  
GENERAL FUND  
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES  
FOR THE YEAR ENDED JUNE 30, 2016**

*Exhibit 4-2  
Page 1 of 2*

	<u>Encumbered from 2015</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbered to 2017</u>	<u>(Over) Under Budget</u>
General Government					
Legislative		5,799	31,296		(25,497)
Executive		235,314	257,615		(22,301)
Assessment		164,890	173,280		(8,390)
Finance		530,146	517,354		12,792
Legal		112,452	111,079		1,373
City Clerks		212,864	230,185		(17,321)
Services		199,562	190,338		9,224
City Hall		37,291	38,112		(821)
Community Development		131,834	129,406		2,428
Engineering		25,000	-		25,000
		<u>1,655,152</u>	<u>1,678,865</u>		<u>(23,713)</u>
Public Safety					
Police Department		1,929,996	1,874,195		55,801
Fire Department		1,343,398	1,623,252		(279,854)
Dispatch		190,319	190,319		-
Lights and Hydrants		617,836	609,576		8,260
Code Enforcement		228,610	232,657		(4,047)
		<u>4,310,159</u>	<u>4,524,999</u>		<u>(214,840)</u>
Public Works					
Public Works		1,604,092	1,688,992		(84,900)
		<u>1,604,092</u>	<u>1,688,992</u>		<u>(84,900)</u>
Health and Welfare					
Contributions-Agencies		20,000	20,000		-
Welfare		82,046	84,070		(2,024)
		<u>102,046</u>	<u>104,070</u>		<u>(2,024)</u>
Culture and Recreation					
Public Library	1,500	520,232	532,280		(11,548)
Harbor and Waterfront		114,180	188,752		(74,572)
Municipal Fish Pier		134,250	120,230		14,020
Recreation		246,256	309,426		(63,170)
	<u>1,500</u>	<u>1,014,818</u>	<u>1,150,258</u>		<u>(135,440)</u>

CITY OF ROCKLAND  
GENERAL FUND  
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES  
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit A-2  
Page 2 of 2

	Encumbered from 2015	Budget	Actual	Encumbered to 2017	(Over) Under Budget
Other Accounts					
Fringe Benefits		90,932	224,307		(133,375)
Insurance Contingency		230,928	184,984		45,944
Fisher TIF Payment		23,037	23,037		-
Main Street TIF Payment		-	59		(59)
		344,897	432,387		(87,490)
Debt Service					
EAN Interest		2,500	-		2,500
Principal on Long-Term Debt		573,542	543,422		30,120
Interest on Long-Term Debt		188,577	154,907		33,670
Capital Leaves		359,051	286,322		72,729
		1,123,772	984,651		139,121
Capital Improvement Projects		25,496	25,496		-
Assessments					
School District		8,773,508	8,773,508		-
County Tax		730,052	730,052		-
Overlay		283,296	33,407		249,889
		9,786,856	9,536,967		249,889
Operating Transfer Out					
Fisher Redevelopment Reserve		274,896	274,896		-
Fare Building Reserve		15,813	15,813		-
Fisher TIF Reserve		34,555	34,555		-
Main Street TIF Reserve		-	20		(20)
Port Development Reserve		26,682	26,682		-
Fish Pier Improvements Reserve		-	34,601		(34,601)
Park Reserve		-	6,500		(6,500)
Wastewater Fund		83,409	83,409		-
Capital Improvement Fund		41,046	231,046		(190,000)
Cost Guard Account		1,239	1,239		-
Grants		-	3,669		(3,669)
		478,240	713,030		(234,790)
<b>Total Appropriations</b>	<b>1,490</b>	<b>26,708,852</b>	<b>26,839,715</b>		<b>(132,663)</b>

CITY OF ROCKLAND  
GENERAL FUND  
STATEMENT OF CHANGES IN UNASSIGNED FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit A-3

Unassigned Fund Balance July 1, 2015		1,248,010
Budget Surplus:		
Revenue Surplus	369,305	
Unexpended Balance of Appropriations	(132,663)	236,642
Beginning Fund Balance Used		(139,500)
Unassigned Fund Balance June 30, 2016		<u>1,345,152</u>
<b>*Reconciliation Between General Unassigned Fund Balance and Exhibit C Unassigned Fund Balance:</b>		
General Fund Unassigned Fund Balance - Exhibit A-3	1,345,152	
EMS Deficit Fund Balance Exhibit A-4	(2,856)	
Total Unassigned Fund Balance Exhibit C		<u>1,342,296</u>



CITY OF ROCKLAND  
ALL GENERAL RESERVES/FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2016

Exhibit A-4

	General Reserves	Emergency Medical	Transfer Station	Tree Planting Fund	Municipal Revenue Sharing	Traffic Improvements Study	Total
<b>Assets</b>							
Cash and Equivalents				273		43,480	1,402,934
Investments	1,182,551	176,621					
Receivables (Net of Allowances)							
User Fees		477,184	222,067				699,251
Other		69,536					69,536
Due from Other Funds	655,883	-	-	10,925	145,516		812,324
<b>Total Assets</b>	<b>1,838,434</b>	<b>723,341</b>	<b>222,067</b>	<b>11,198</b>	<b>145,516</b>	<b>43,489</b>	<b>2,964,045</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>							
<b>Liabilities</b>							
Accounts Payable	-	-					
Due to Other Funds	395,423	684,816	222,067				1,302,306
<b>Total Liabilities</b>	<b>395,423</b>	<b>684,816</b>	<b>222,067</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,302,306</b>
<b>Deferred Inflows of Resources</b>							
Unavailable Revenues - Other		41,381					41,381
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>41,381</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41,381</b>
<b>Fund Balances</b>							
Restricted					145,516		145,516
Committed				11,198			1,454,309
Assigned	1,443,011					43,489	43,489
Unassigned		(2,856)					(2,856)
<b>Total Fund Balances</b>	<b>1,443,011</b>	<b>(2,856)</b>	<b>-</b>	<b>11,198</b>	<b>145,516</b>	<b>43,489</b>	<b>1,640,358</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>1,838,434</b>	<b>723,341</b>	<b>222,067</b>	<b>11,198</b>	<b>145,516</b>	<b>43,489</b>	<b>2,964,045</b>

CITY OF ROCKLAND  
ALL GENERAL RESERVES/FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit A-5

	General Reserves (Exhibit A-6)	Emergency Medical (Exhibit A-7)	Transfer Station (Exhibit A-8)	Tree Planting Fund	Municipal Revenue Sharing	Traffic Improvements Study	Total
<b>Revenues</b>							
Intergovernmental Revenues					509,252		509,252
Charges for Services		636,591	1,856,002				2,492,593
Interest	35,263	5,277	-	8		1,299	41,847
Fair Value Increases (Decreases)	(12,554)	(1,866)	-	(2)		(459)	(14,881)
Other Local Sources	86,764	43	3,488	625			90,920
<b>Total Revenues</b>	<b>109,473</b>	<b>640,045</b>	<b>1,859,490</b>	<b>631</b>	<b>509,252</b>	<b>840</b>	<b>3,119,731</b>
<b>Expenditures</b>							
Public Safety	10,432	263,633					274,065
Public Works	-		1,169,484				1,169,484
Health & Welfare	-						-
Principal & Interest	-		148,867				148,867
Other	33,430						33,430
<b>Total Expenditures</b>	<b>43,862</b>	<b>263,633</b>	<b>1,318,351</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,625,846</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>65,611</b>	<b>376,412</b>	<b>541,139</b>	<b>631</b>	<b>509,252</b>	<b>840</b>	<b>1,493,885</b>
<b>Other Financing Sources (Uses)</b>							
Transfers from Other Funds	143,584						143,584
Transfers to Other Funds	(9)	(324,735)	(541,139)		(464,558)		(1,330,441)
<b>Total Other Financing Sources (Uses)</b>	<b>143,575</b>	<b>(324,735)</b>	<b>(541,139)</b>	<b>-</b>	<b>(464,558)</b>	<b>-</b>	<b>(1,186,857)</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>209,186</b>	<b>51,677</b>	<b>-</b>	<b>631</b>	<b>44,694</b>	<b>840</b>	<b>307,028</b>
<b>Fund Balance - July 1</b>	<b>1,233,825</b>	<b>(54,533)</b>	<b>-</b>	<b>10,567</b>	<b>160,822</b>	<b>42,649</b>	<b>1,333,330</b>
<b>Fund Balance - June 30</b>	<b>1,443,011</b>	<b>(2,856)</b>	<b>-</b>	<b>11,198</b>	<b>145,516</b>	<b>43,489</b>	<b>1,640,358</b>

CITY OF ROCKLAND  
GENERAL RESERVE FUNDS  
SCHEDULE OF ACTIVITY  
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit A-6

Reserve Fund	Fund Balance July 1	New Funds	Transfers From (To) Other Funds	Interest/Dividends	Increase (Decrease) In Fair Value	Expenditures	Fund Balance June 30
Sewer Debt Service	53,334			11,722	(4,146)		60,910
Samoset Glen Cove 1 & 1	1,809		(91)	132	(49)		3,883
Samoset Debt Service	(10)		9	(1)	2		-
Johnson Park	2,393			839	(413)		2,819
Custom House Parking Lot	200,207	12,747		4,976	(1,708)		216,222
Police Forfeiture	36,842	48,741		1,163	(824)	(4,432)	81,890
Parks	14,446		6,500	306	(108)		21,144
Merritt Park Playground	6,956			231	(82)		7,105
Fish Pier Maintenance	3,214			98	(34)		3,278
Fish Pier Improvements	221,253		34,604	2,409	(851)		257,415
Police Trading Cards	1,740			72	(25)		1,787
Pumping/Chemicals Reserve	2,315			1,004	(355)		2,964
Sewer Rate Stabilization Reserve	493,707		10,000	10,168	(3,596)		510,277
Skatepark Helmet Reserve	1,385			42	(15)		1,412
Traffic Improvements Reserve	38,456			1,171	(414)		39,213
Fuel Assistance Reserve	24,950	1,105		931	(336)		26,652
TIF Tillson Redevelopment Reserve	52,595		73,896			(33,420)	93,061
Police Reserve	23,384	24,000				(6,000)	41,384
Fisher TIF Reserve	23,255		18,555				41,810
Bartlett Library Reserve	20,594						20,594
Fire EMS Reserve	-	171					171
Main Street TIF Reserve	-		20				20
<b>Total</b>	<b>1,233,825</b>	<b>86,764</b>	<b>143,575</b>	<b>35,263</b>	<b>(12,554)</b>	<b>(43,862)</b>	<b>1,443,011</b>

CITY OF ROCKLAND  
EMERGENCY MEDICAL FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit A-7

	Budget	Actual	Variance
Revenues			
User Fees	498,515	495,279	(3,236)
Owls Head EMS Service	82,762	82,762	-
Aid to Outside Towns	30,000	58,550	28,550
Interest		5,277	5,277
Change in Fair Value		(1,866)	(1,866)
All Other	1,500	43	(1,457)
<b>Total Revenues</b>	<b>612,777</b>	<b>640,045</b>	<b>27,268</b>
Expenditures			
Personal Services	146,797	142,658	4,139
Contracted Services	102,088	89,602	12,486
Commodities	32,667	27,412	5,255
Capital Outlay	6,490	3,961	2,529
<b>Total Expenditures</b>	<b>288,042</b>	<b>263,633</b>	<b>24,409</b>
Excess of Revenues Over (Under) Expenditures	324,735	376,412	51,677
Other Financing Sources (Uses)			
Transfers to Other Funds	(324,735)	(324,735)	-
Use of Surplus	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(324,735)</b>	<b>(324,735)</b>	<b>-</b>
Excess of Revenues and Other Sources Over (Under) Expenditures	-	51,677	51,677
Fund Balance - July 1		(54,533)	
<b>Fund Balance - June 30</b>		<b>(2,856)</b>	

CITY OF ROCKLAND  
TRANSFER STATION  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit A-8

	Budget	Actual	Variance
<b>Revenues</b>			
Landfill Revenue	732,002	1,123,361	391,359
MSW Tipping Fee	460,249	420,128	(40,121)
Perc Performance Credit	90,945	99,841	8,896
Solid Waste Stickers	152,625	135,487	(17,138)
Cardboard Disposal	21,462	14,750	(6,712)
White Goods and Metals	30,381	15,804	(14,577)
Plastics	7,967	8,719	752
Pallet Fees	5,151	6,102	951
Mixed Paper	9,804	3,969	(5,835)
Universal Waste	6,536	6,884	348
Payt Bag	8,750	17,838	9,088
Metal Can Bundles	3,044	802	(2,242)
Tires	2,110	2,317	207
DEP Fee Reimbursement	45,420	-	(45,420)
All Other	12,586	3,488	(9,098)
<b>Total Revenues</b>	<b>1,589,032</b>	<b>1,859,490</b>	<b>270,458</b>
<b>Expenditures</b>			
Personal Services	303,196	232,962	70,234
Contracted Services	934,457	877,480	56,977
Commodities	133,675	54,196	79,479
Capital Outlay	5,000	4,846	154
Principal and Interest	120,400	148,867	(28,467)
<b>Total Expenditures</b>	<b>1,496,728</b>	<b>1,318,351</b>	<b>178,377</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>92,304</b>	<b>541,139</b>	<b>448,835</b>
<b>Other Financing Sources (Uses)</b>			
Transfers from Other Funds	-	-	-
Transfers to Other Funds	(92,304)	(541,139)	(448,835)
<b>Total Other Financing Sources (Uses)</b>	<b>(92,304)</b>	<b>(541,139)</b>	<b>(448,835)</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance - July 1</b>			
<b>Fund Balance - June 30</b>			

CITY OF ROCKLAND  
ALL SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2016

Exhibit B-1

Assets	Federal/State Programs (Exhibit B-2)	All Other (Exhibit B-3)	Total
Cash and Equivalents	1,716	7,674	9,390
Investments	104,303	27,922	132,225
Receivables (Net of Allowances)			
User Fees			-
Loans	288,153		288,153
Due from Other Governments	117,877		117,877
Due from Other Funds	235,993	124,049	360,042
<b>Total Assets</b>	<b>748,042</b>	<b>159,645</b>	<b>907,687</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	-	-	-
Due to Other Funds	119,141	12,548	131,689
<b>Total Liabilities</b>	<b>119,141</b>	<b>12,548</b>	<b>131,689</b>
<b>Fund Balances</b>			
Restricted	628,901	52,369	681,270
Committed	-	85,973	85,973
Assigned	-	8,755	8,755
<b>Total Fund Balances</b>	<b>628,901</b>	<b>147,097</b>	<b>775,998</b>
<b>Total Liabilities and Fund Balances</b>	<b>748,042</b>	<b>159,645</b>	<b>907,687</b>

CITY OF ROCKLAND  
SPECIAL REVENUE FUNDS - FEDERAL/STATE PROGRAMS  
COMBINING BALANCE SHEET  
JUNE 30, 2016

Exhibit B-2  
Page 1 of 3

Assets	Community Business Development	CDBG Microloans Grant	CDRG Home Repair Network Grants	CDBG Micro- Enterprise	Emergency Mngt. Perf. Grant	2011 Project Canopy Grant
Cash			1,141			
Investments	102,286	2,017				
Due from Other Governments			90,565	2,917		
Lease Receivable	161,701	126,362				
Due from Other Funds	199,630	43,139			17,134	3,016
<b>Total Assets</b>	<b>423,707</b>	<b>171,518</b>	<b>91,706</b>	<b>2,917</b>	<b>17,134</b>	<b>3,016</b>
<i>Liabilities and Fund Balances</i>						
Liabilities						
Accounts Payable			91,706	2,917		
Due to Other Funds						
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>91,706</b>	<b>2,917</b>	<b>-</b>	<b>-</b>
Fund Balances						
Non-Spendable						
Restricted	423,707	171,518			17,134	3,016
Committed						
<b>Total Fund Balances</b>	<b>423,707</b>	<b>171,518</b>	<b>-</b>	<b>-</b>	<b>17,134</b>	<b>3,016</b>
<b>Total Liabilities and Fund Balances</b>	<b>423,707</b>	<b>171,518</b>	<b>91,706</b>	<b>2,917</b>	<b>17,134</b>	<b>3,016</b>

CITY OF ROCKLAND  
SPECIAL REVENUE FUNDS - FEDERAL/STATE PROGRAMS  
COMBINING BALANCE SHEET  
JUNE 30, 2016

Exhibit B-1  
Page 2 of 3

Assets	2010 Project Canopy Grant	EPA Brownfield Grant	Camden St PPI Grant	Click It Or Ticket Campaign	Police N.A.D.D.L. Grant	2012 Dept. of Justice Burnes Grant
Cash					575	
Investments						2,680
Due from Other Governments		840	4,787	1,768		
Lease Receivable						
Due from Other Funds	1,303					
<b>Total Assets</b>	<b>1,303</b>	<b>840</b>	<b>4,787</b>	<b>1,768</b>	<b>575</b>	<b>2,680</b>
<i>Liabilities and Fund Balances</i>						
Liabilities						
Accounts Payable		840	4,787	1,768	575	1,548
Due to Other Funds						
<b>Total Liabilities</b>	<b>-</b>	<b>840</b>	<b>4,787</b>	<b>1,768</b>	<b>575</b>	<b>1,548</b>
Fund Balances						
Non-Spendable						
Restricted	1,303					452
Committed						
<b>Total Fund Balances</b>	<b>1,303</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>452</b>
<b>Total Liabilities and Fund Balances</b>	<b>1,303</b>	<b>840</b>	<b>4,787</b>	<b>1,768</b>	<b>575</b>	<b>2,000</b>

CITY OF ROCKLAND  
SPECIAL REVENUE FUNDS - FEDERAL/STATE PROGRAMS  
COMBINING BALANCE SHEET  
JUNE 30, 2016

Exhibit B-2  
Page 3 of 3

Assets	Healthy Maize Street Grant	Small Community Grant Program	Maine Coastal Program	Connector Trail Improvement Grant	Totals
Cash					1,716
Investments					104,303
Due from Other Governments					102,877
Loans Receivable					288,153
Due from Other Funds	3,236	2,091	15,000	6,444	250,993
<b>Total Assets</b>	<b>3,236</b>	<b>2,091</b>	<b>15,000</b>	<b>6,444</b>	<b>748,042</b>
<i>Liabilities and Fund Balances</i>					
Liabilities					
Accounts Payable					-
Due to Other Funds			15,000		119,141
Total Liabilities			15,000		119,141
Fund Balances					
Non-Spendable					-
Restricted	3,236	2,091		6,444	628,901
Committed					-
Total Fund Balances	3,236	2,091		6,444	628,901
<b>Total Liabilities and Fund Balances</b>	<b>3,236</b>	<b>2,091</b>	<b>15,000</b>	<b>6,444</b>	<b>748,042</b>

CITY OF ROCKLAND  
SPECIAL REVENUE FUNDS - ALL OTHER  
COMBINING BALANCE SHEET  
JUNE 30, 2016

Exhibit B-3  
Page 1 of 2

Assets	Shore Village Museum	Police DARE	Skateboard Park Project	RCHP Scholarship Trust	Berlusconi Park	Elizabeth Tyrell Trust	Odor Study
Cash and Equivalents			1,049				
Investments	5,631	4,525		13,430	4,336		
Due from Other Funds						34,069	2,098
<b>Total Assets</b>	<b>5,631</b>	<b>4,525</b>	<b>1,049</b>	<b>13,430</b>	<b>4,336</b>	<b>34,069</b>	<b>2,098</b>
<i>Liabilities and Fund Balances</i>							
Liabilities							
Due to Other Funds	4,485	61		8,900			
<b>Total Liabilities</b>	<b>4,485</b>	<b>61</b>	<b>-</b>	<b>8,900</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Fund Balances</i>							
Restricted				5,430	4,336	34,069	
Committed							
Assigned	1,146	4,462	1,049				2,098
Total Fund Balances	1,146	4,462	1,049	5,430	4,336	34,069	2,098
<b>Total Liabilities and Fund Balances</b>	<b>5,631</b>	<b>4,525</b>	<b>1,049</b>	<b>13,430</b>	<b>4,336</b>	<b>34,069</b>	<b>2,098</b>

CITY OF ROCKLAND  
SPECIAL REVENUE FUNDS - ALL OTHER  
COMBINING BALANCE SHEET  
JUNE 30, 2016

Exhibit B-3  
Page 2 of 2

Asset	Stormwater Separation Project	Community and Arts Development	Library Book/leak Podcast	Midcoast Veterans Memorial	Coast Guard	Veterans Memorial	Total
Cash and Equivalents					2,613	4,012	6,625
Investments						534	534
Due from Other Funds	78,814	7,906	100	528			87,348
<b>Total Assets</b>	<b>78,814</b>	<b>7,906</b>	<b>100</b>	<b>528</b>	<b>2,613</b>	<b>4,546</b>	<b>89,507</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Due to Other Funds							12,548
Total Liabilities							12,548
<b>Fund Balances</b>							
Restricted Committed Assigned	78,814	7,906	100	528	2,613	4,546	94,507
Total Fund Balances	78,814	7,906	100	528	2,613	4,546	94,507
<b>Total Liabilities and Fund Balances</b>	<b>78,814</b>	<b>7,906</b>	<b>100</b>	<b>528</b>	<b>2,613</b>	<b>4,546</b>	<b>89,507</b>

CITY OF ROCKLAND  
ALL SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit B-4

	Federal/State Programs (Exhibit B-5)	All Other (Exhibit B-6)	Total
<b>Revenues</b>			
Intergovernmental Revenues	2,211,274		2,211,274
Interest	3,116	943	4,059
Fair Value Increases (Decreases)	(1,102)	(685)	(1,787)
Other Local Sources	14,851	17,911	32,762
<b>Total Revenues</b>	<b>2,228,139</b>	<b>18,169</b>	<b>2,246,308</b>
<b>Expenditures</b>			
General Government	-		-
Public Safety	7,149	99	7,248
Public Works	15,615	96,646	112,261
Cultural & Recreation	26,384	549	26,933
Health & Welfare	1,646	6,600	8,246
Capital Improvement	2,198,491		2,198,491
Other	39,340	24,543	63,883
<b>Total Expenditures</b>	<b>2,288,625</b>	<b>128,437</b>	<b>2,417,062</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(60,486)</b>	<b>(110,268)</b>	<b>(170,754)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers from Other Funds	132,544	1,239	133,783
Transfers to Other Funds	(3)	-	(3)
<b>Total Other Financing Sources (Uses)</b>	<b>132,541</b>	<b>1,239</b>	<b>133,780</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>72,055</b>	<b>(109,029)</b>	<b>(36,974)</b>
<b>Fund Balance - July 1</b>	<b>556,846</b>	<b>256,126</b>	<b>812,972</b>
<b>Fund Balance - June 30</b>	<b>628,901</b>	<b>147,097</b>	<b>775,998</b>

CITY OF ROCKLAND  
SPECIAL REVENUE FUNDS - FEDERAL/STATE GRANT PROGRAMS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2016

EXHIBIT B-4  
Page 1 of 4

	Community Business Development	CDBG Miscellaneous Grant	2014 CDBG Home Repair Network Grant	2015 CDBG Home Repair Network Grant	CDBG Micro- Enterprise	Comm. For Me's Future Grant	2010 Emergency MHL, Prof. Grant
<b>Revenues</b>							
Microloan Payments	14,817	714			97,160		
Intergovernmental Revenues			722,892	1,326,415			
Interest	1,056	60					
Fair Value Increases (Decreases)	(1,081)	(21)					
Local Sources							
<b>Total Revenues</b>	<b>16,112</b>	<b>753</b>	<b>722,892</b>	<b>1,326,415</b>	<b>97,160</b>		
<b>Expenditures</b>							
New Loans/Loans forgiven							
Administration							
Professional Services					97,160	7,866	
Contractors/Vendors			722,892	1,326,415			
Capital Improvement							
Equipment							
Other							1,844
<b>Total Expenditures</b>			<b>722,892</b>	<b>1,326,415</b>	<b>97,160</b>	<b>7,866</b>	
Excess of Revenues Over (Under) Expenditures	16,112	753	-	-	-	(7,866)	-
Other Financing Sources (Uses)							
Transfers from Other Funds						72,581	
Transfers to Other Funds							
<b>Total Other Financing Sources (Uses)</b>						<b>72,581</b>	
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	16,112	753	-	-	-	14,715	-
Fund Balance - July 1	409,595	170,765	-	-	-	(26,715)	7,134
<b>Fund Balance - June 30</b>	<b>425,707</b>	<b>171,518</b>					<b>14,268</b>

CITY OF ROCKLAND  
SPECIAL REVENUE FUNDS - FEDERAL/STATE GRANT PROGRAMS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2016

EXHIBIT B-5  
Page 2 of 4

	2015 Emergency MHL, Prof. Grant	2011 Project Capacity Grant	2010 Project Capacity Grant	EPA Brownfields Grant	Risk Pfr Dredging Survey Grant	Coastal St PFI Grant	Evidence Based Implant Driving Grant
<b>Revenues</b>							
Microloan Payments							
Intergovernmental Revenues	836			44,158			1,850
Interest							
Fair Value Increases (Decreases)							
Local Sources							
<b>Total Revenues</b>	<b>836</b>			<b>44,158</b>			<b>1,850</b>
<b>Expenditures</b>							
New Loans/Loans forgiven							
Administration	836			42,314		39,340	1,850
Professional Services		1,684					
Contractors/Vendors							
Capital Improvement							
Equipment							
Other				1,844			
<b>Total Expenditures</b>	<b>836</b>	<b>1,684</b>		<b>44,158</b>		<b>39,340</b>	<b>1,850</b>
Excess of Revenues Over (Under) Expenditures	-	(1,684)	-	-	-	(39,340)	-
Other Financing Sources (Uses)							
Transfers from Other Funds						969	
Transfers to Other Funds						(3)	
<b>Total Other Financing Sources (Uses)</b>						<b>966</b>	
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	(1,684)	-	-	-	(38,371)	-
Fund Balance - July 1	-	4,700	1,303	-	5	38,371	-
<b>Fund Balance - June 30</b>		<b>3,016</b>	<b>1,303</b>				

CITY OF ROCKLAND  
SPECIAL REVENUE FUNDS - FEDERAL/STATE GRANT PROGRAMS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit B-5  
Page 3 of 4

	Clark Is Of Thine Campaign	Police N.A.D.D.I. Grant	2009 Dept of Justice Barrow Grant	2012 Dept of Justice Barrow Grant	Healthy Maine Street Grant	Small Community Grant Program
<b>Revenues</b>						
Miscellaneous Payments						
Intergovernmental Revenues	1,768					
Interest						
Fair Value Increase/(Decrease)						
Local Sources						
<b>Total Revenues</b>	<b>1,768</b>					
<b>Expenditures</b>						
New Loans/Loans forgiven						6,059
Administration	1,768		613			
Professional Services		832		55		
Contractors/Vendors						
Capital Improvement						
Equipment						
Other						
<b>Total Expenditures</b>	<b>1,768</b>	<b>832</b>	<b>613</b>	<b>55</b>		<b>6,059</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>-</b>	<b>(832)</b>	<b>(613)</b>	<b>(55)</b>	<b>-</b>	<b>(6,059)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers from Other Funds						
Transfers to Other Funds						
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>-</b>	<b>(832)</b>	<b>(613)</b>	<b>(55)</b>	<b>-</b>	<b>(6,059)</b>
<b>Fund Balance - July 1</b>	<b>-</b>	<b>832</b>	<b>613</b>	<b>507</b>	<b>3,258</b>	<b>3,150</b>
<b>Fund Balance - June 30</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>452</b>	<b>3,258</b>	<b>2,091</b>

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CITY OF ROCKLAND  
SPECIAL REVENUE FUNDS - FEDERAL/STATE GRANT PROGRAMS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit B-5  
Page 4 of 4

	Maine Coastal Program	ATV Grant	Connector Trail Improvement Grant	Wellness Grant	Old County Road	Total
<b>Revenues</b>						
Miscellaneous Payments						14,851
Intergovernmental Revenues	15,000	1,195				2,211,274
Interest						3,116
Fair Value Increase/(Decrease)						(1,105)
Local Sources						
<b>Total Revenues</b>	<b>15,000</b>	<b>1,195</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,228,139</b>
<b>Expenditures</b>						
New Loans/Loans forgiven						6,059
Administration	24,700					2,604
Professional Services		3,195	9,556			67,627
Contractors/Vendors						159,578
Capital Improvement						2,049,307
Equipment						-
Other				1,646		3,420
<b>Total Expenditures</b>	<b>24,700</b>	<b>1,195</b>	<b>9,556</b>	<b>1,646</b>	<b>-</b>	<b>3,288,625</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(9,700)</b>	<b>-</b>	<b>(9,556)</b>	<b>(1,646)</b>	<b>-</b>	<b>(60,486)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers from Other Funds	9,700		16,600		83,294	132,544
Transfers to Other Funds						(3)
<b>Total Other Financing Sources (Uses)</b>	<b>9,700</b>	<b>-</b>	<b>16,600</b>	<b>-</b>	<b>83,294</b>	<b>132,541</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>-</b>	<b>-</b>	<b>6,444</b>	<b>(1,646)</b>	<b>83,294</b>	<b>72,055</b>
<b>Fund Balance - July 1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,646</b>	<b>(83,294)</b>	<b>556,846</b>
<b>Fund Balance - June 30</b>	<b>-</b>	<b>-</b>	<b>6,444</b>	<b>-</b>	<b>-</b>	<b>428,901</b>

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CITY OF ROCKLAND  
SPECIAL REVENUE FUNDS - ALL OTHER  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit B-6  
Page 1 of 2

	Shore Village Museum	Police DARE	Skateboard Park Project	RCMP Scholarship Trust	Berliowsky Park	Estabrook Tyrell Trust	Older Study	Middle Country Public Library
Revenues								
Intergovernmental Revenues								
Other Local Sources		1,307						
Interest	768	135	1	485	153			
Fair Value Increases (Decreases)	(59)	(48)		(451)	(127)			
Total Revenues	109	1,394	1	34	26	-	-	-
Expenditures								
Public Safety Programs								
Repairs and Maintenance								
Contractors/Vendors				8,000				
Scholarships								429
Supplies/Materials		99						
Insurance								
Miscellaneous			120					
Total Expenditures	-	99	120	8,000	-	-	-	429
Excess of Revenues Over (Under) Expenditures	109	1,295	(119)	(7,966)	26	-	-	(429)
Other Financing Sources (Uses)								
Transfer from Other Funds								
Transfer to Other Funds								
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	109	1,295	(119)	(7,966)	26	-	-	(429)
Fund Balance (Deficit) - July 1	1,037	3,167	1,168	13,396	4,310	34,069	2,098	429
Fund Balance - June 30	1,146	4,462	1,049	5,430	4,336	34,069	2,098	-

CITY OF ROCKLAND  
SPECIAL REVENUE FUNDS - ALL OTHER  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit B-6  
Page 2 of 2

	YMCA Gen. Asst. Grant	YMCA E.U.D.L.	Starliner Separation Project	Community and Arts Development	Library BookTalk Podcast	Midcoast Veterans Memorial	Coast Guard	Veterans Memorial	Total
Revenues									
Intergovernmental Revenues									
Other Local Sources		6,400					6,791	3,413	17,911
Interest								1	942
Fair Value Increases (Decreases)									(685)
Total Revenues	-	6,400	-	-	-	-	6,791	3,414	18,169
Expenditures									
Public Safety Programs									-
Repairs and Maintenance									-
Contractors/Vendors		6,400	96,646						103,046
Scholarships							8,075		8,603
Supplies/Materials									-
Insurance									-
Miscellaneous	200							8,468	8,788
Total Expenditures	200	6,400	96,646	-	-	-	8,075	8,468	128,437
Excess of Revenues Over (Under) Expenditures	(200)	-	(96,646)	-	-	-	(1,284)	(5,054)	(110,268)
Other Financing Sources (Uses)									
Transfer from Other Funds							1,239		1,239
Transfer to Other Funds									-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	1,239	-	1,239
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(200)	-	(96,646)	-	-	-	(45)	(5,054)	(109,029)
Fund Balance (Deficit) - July 1	200	-	175,460	7,906	100	528	2,658	9,600	256,126
Fund Balance - June 30	-	-	78,814	7,906	100	528	2,613	4,546	147,097

CITY OF ROCKLAND  
ALL CAPITAL PROJECT FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2016

Exhibit C-1

Assets	Pump Station/CSD Project	Capital Improvements Program	Public Works Big Dig Project	Capital Reserve Funds	Elm/Museum St. Sidewalk Rebuild	Old County Road	Total
Cash				59,259			59,259
Investments		42,372		3,652,547			3,694,919
Loan Receivable							-
Due from Other Governments						1,000,000	1,000,000
Due from Other Funds	147,978	948,565	156,277	1,332,417			2,785,237
<b>Total Assets</b>	<b>147,978</b>	<b>990,937</b>	<b>156,277</b>	<b>3,244,623</b>	<b>-</b>	<b>1,000,000</b>	<b>5,539,815</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts Payable						348,888	348,888
Refinance Payable						137,149	137,149
Due to Other Funds		64,318		585,279	33,486	272,311	955,864
<b>Total Liabilities</b>	<b>-</b>	<b>64,318</b>	<b>-</b>	<b>585,279</b>	<b>33,486</b>	<b>758,348</b>	<b>1,441,888</b>
<b>Fund Balances</b>							
Estimated	147,978	863,009	156,277		(33,486)	241,685	1,375,517
Committed		65,480		2,658,894			2,724,374
<b>Total Fund Balances</b>	<b>147,978</b>	<b>928,579</b>	<b>156,277</b>	<b>2,658,894</b>	<b>(33,486)</b>	<b>241,685</b>	<b>4,097,927</b>
<b>Total Liabilities and Fund Balances</b>	<b>147,978</b>	<b>990,937</b>	<b>156,277</b>	<b>3,244,623</b>	<b>-</b>	<b>1,000,000</b>	<b>5,539,815</b>

CITY OF ROCKLAND  
ALL CAPITAL PROJECT FUNDS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit C-2

	Pump Station/CSD Project	Capital Improvements Program	Public Works Big Dig Project	Capital Reserve Funds	Elm/Museum St. Sidewalk Rebuild	Old County Road	Total
<b>Revenues</b>							
Intergovernmental Revenue						1,000,000	1,000,000
Local Sources		158,890		141,974	65,000		365,864
Change in Fair Value				(17,734)			(17,734)
Interest				51,124		683	51,727
<b>Total Revenues</b>	<b>-</b>	<b>158,890</b>	<b>-</b>	<b>175,364</b>	<b>65,000</b>	<b>1,000,683</b>	<b>1,399,837</b>
<b>Expenditures</b>							
Capital Outlay		170,031			265,299	2,275,624	2,710,954
Repair & Maintenance							-
Debt Service							-
Other				51,446			51,446
<b>Total Expenditures</b>	<b>-</b>	<b>170,031</b>	<b>-</b>	<b>51,446</b>	<b>265,299</b>	<b>2,275,624</b>	<b>2,762,400</b>
<b> excess of Revenues Over (Under) Expenditures</b>	<b>-</b>	<b>(11,141)</b>	<b>-</b>	<b>123,918</b>	<b>(200,299)</b>	<b>(1,275,021)</b>	<b>(1,362,543)</b>
<b>Other Financing Sources (Uses)</b>							
Bond Proceeds						1,600,000	1,600,000
Transfers from Other Funds		231,646		591,330	166,813		989,789
Transfers to Other Funds	(11,549)			(16,813)		(83,294)	(111,656)
<b>Total Other Financing Sources (Uses)</b>	<b>(11,549)</b>	<b>231,646</b>	<b>-</b>	<b>574,517</b>	<b>166,813</b>	<b>1,516,706</b>	<b>2,478,133</b>
<b> excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>(11,549)</b>	<b>220,505</b>	<b>-</b>	<b>698,435</b>	<b>(33,486)</b>	<b>241,685</b>	<b>1,115,590</b>
<b>Fund Balance - July 1</b>	<b>159,527</b>	<b>706,074</b>	<b>156,277</b>	<b>1,968,459</b>	<b>-</b>	<b>-</b>	<b>2,990,337</b>
<b>Fund Balance - June 30</b>	<b>147,978</b>	<b>928,579</b>	<b>156,277</b>	<b>2,658,894</b>	<b>(33,486)</b>	<b>241,685</b>	<b>4,097,927</b>

CITY OF ROCKLAND  
CAPITAL IMPROVEMENTS FUND  
SCHEDULE OF ACTIVITY  
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit C-3

	Balance July 1	Transfers	Revenues	Lease/Loan Proceeds	Total Available	Expenditures	Transfer From/To Unreserved	Balance June 30
<i>City Projects</i>								
Road Construction	14,798				14,798			14,798
Drainage Projects	1,597				1,597			1,597
Lindsey Brook Rehab	144,914				144,914			144,914
Roads and Sidewalks	4,327				4,327			4,327
Recycling Facility Improvement	840				840			840
Sign Van	8,000				8,000			8,000
Monitoring Well Landfill	8,681				8,681			8,681
Fire/EMS Command Vehicle	409				409			409
Ambulance	-		158,890		158,890			158,890
Thermal Cameras	15,000				15,000	(15,000)		-
FD Fire Hose Upgrade/Replacement	2,229				2,229			2,229
Solid Waste Gas Collection System	644				644			644
Solid Waste Loader	1,500				1,500			1,500
Solid Waste Compactor	78,000				78,000			78,000
Fire Rescue Pumper	1,019				1,019			1,019
Police Upgrade Radar Units	769				769			769
PW Replace Thomson Messing Rd Bridge	54,792				54,792			54,792
PW 12 Sidewalk Machine	25,127				25,127			25,127
Sewer/Storm Water Chambers #2	532				532			532
Stormwater & Wastewater Collection Study	129,565				129,565	(64,338)		65,227
Downtown Lighting Project	100,000	165,000			265,000	(96,162)		198,838
Multi Town Street Lighting Project		25,000			25,000	(12,817)		12,183
Finance Minit Software	44				44			44
Library Lighting & Insulation Project	10,523				10,523			10,523
Library Chimney	6,666				6,666			6,666
Library Building Evaluation	16,848				16,848	(11,694)		5,154
Recreation Center	50,202				50,202			50,202
Municipal Fish Pier Underground Pipe	7,214				7,214			7,214
<b>City Committed Balances</b>	<b>684,240</b>	<b>190,000</b>	<b>158,890</b>	<b>-</b>	<b>1,033,130</b>	<b>(170,031)</b>	<b>-</b>	<b>863,099</b>
<b>Total Committed Balances</b>	<b>684,240</b>	<b>190,000</b>	<b>-</b>	<b>-</b>	<b>1,033,130</b>	<b>(170,031)</b>	<b>-</b>	<b>863,099</b>
Unassigned	21,834	41,646			63,480			63,480
<b>Total CIP</b>	<b>706,074</b>	<b>231,646</b>	<b>-</b>	<b>-</b>	<b>1,096,610</b>	<b>(170,031)</b>	<b>-</b>	<b>926,579</b>

CITY OF ROCKLAND  
CAPITAL RESERVE FUNDS  
SCHEDULE OF ACTIVITY  
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit C-4

	Fund Balance July 1	New Funds	Transfer From (To) Other Funds	Interest/ Dividends	Increase (Decrease) In Fair Value	Expenditures	Fund Balance June 30
<i>Reserve Fund</i>							
Sewer Depreciation	159,739			418	(148)		160,009
Sewer Equipment	231			51	(18)		264
Industrial Park Land Sales	85,685			2,610	(922)		87,373
City Land Sales	101,591	141,974		1,703	(313)	(51,446)	193,309
Audio Visual Reserve	5,317			206	(74)		5,449
Thermal Imaging Camera	2,100						2,100
Ground Cover Reserve	17,628			540	(191)		18,027
Recreation Reserve	502			87	(31)		558
Sewer Renewal and Replacement Reserve	340,430		100,000	25,411	(8,684)		457,157
Civil War Artifacts Reserve	14,814			605	(214)		15,205
Emergency Medical Reserve	19,574			596	(211)		19,959
Landfill Closure Reserve	318,823			9,713	(3,435)		325,101
Ladder Truck Reserve	33,748			419	(148)		34,019
Landfill Perpetual Care Reserve	223,638						223,638
Sewer CIP Reserve	18,238		(16,813)	2,152	(761)		14,019
Fire Department Building Reserve	105,387		15,813	1,227	(253)		122,174
Transfer Station Capital Equipment Reserve	501,334		418,833	763	(584)		920,348
Pan Development Reserve	31,630		26,682	615	(129)		58,798
<b>Total</b>	<b>1,960,459</b>	<b>141,974</b>	<b>574,517</b>	<b>51,124</b>	<b>(17,734)</b>	<b>(51,446)</b>	<b>2,458,094</b>

CITY OF ROCKLAND  
 PERMANENT FUNDS  
 COMBINING BALANCE SHEET  
 JUNE 30, 2016

Exhibit D-1

Assets	Cemetery	Haines Charity	Keywood Library	Leach Library	All Other (Exhibit D-4)	Total
Cash	1,813	26,189				28,002
Investments	59,841	248,063	62,490	64,775	29,060	464,229
Due From Other Funds						-
Loans Receivable		66,938				66,938
<b>Total Assets</b>	<b>61,654</b>	<b>341,190</b>	<b>62,490</b>	<b>64,775</b>	<b>29,060</b>	<b>559,169</b>
<i>Liabilities and Fund Balances</i>						
Liabilities						
Due to Other Funds	43,873	88,807	4,364	1,001	707	138,752
<b>Total Liabilities</b>	<b>43,873</b>	<b>88,807</b>	<b>4,364</b>	<b>1,001</b>	<b>707</b>	<b>138,752</b>
Fund Balances (Deficit)						
Non-Spendable		57,581		50,000	17,800	125,381
Restricted	17,781	194,802	58,126	13,774	10,553	295,036
Unassigned						-
<b>Total Fund Balances</b>	<b>17,781</b>	<b>252,383</b>	<b>58,126</b>	<b>63,774</b>	<b>28,353</b>	<b>420,417</b>
<b>Total Liabilities and Fund Balances</b>	<b>61,654</b>	<b>341,190</b>	<b>62,490</b>	<b>64,775</b>	<b>29,060</b>	<b>559,169</b>

CITY OF ROCKLAND  
 PERMANENT FUNDS  
 COMBINING BALANCE SHEET - ALL OTHER  
 JUNE 30, 2016

Exhibit D-2

Assets	Cleveland/ Bostick Library	Flower	Monroe Highway	Other Library	Total
Cash					-
Investments	10,471	7,109	5,776	5,704	29,060
Due from Other Funds					-
Loans Receivable					-
<b>Total Assets</b>	<b>10,471</b>	<b>7,109</b>	<b>5,776</b>	<b>5,704</b>	<b>29,060</b>
<i>Liabilities and Fund Balances</i>					
Liabilities					
Due to Other Funds	263			444	707
<b>Total Liabilities</b>	<b>263</b>			<b>444</b>	<b>707</b>
Fund Balances					
Non-Spendable	10,000	1,000	200	6,600	17,800
Restricted	208	6,109	5,576	(1,340)	10,553
<b>Total Fund Balances</b>	<b>10,208</b>	<b>7,109</b>	<b>5,776</b>	<b>5,260</b>	<b>28,353</b>
<b>Total Liabilities and Fund Balances</b>	<b>10,471</b>	<b>7,109</b>	<b>5,776</b>	<b>5,704</b>	<b>29,060</b>

CITY OF ROCKLAND  
 PERMANENT FUNDS  
 STATEMENT OF ACTIVITY - ALL PERMANENT FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2016

Exhibit D-3

	Cemetery	Haines Charity	Keywood Library	Leach Library	All Other (Exhibit D-4)	Total
Revenues						
Local Sources		157				157
Investment Income	1,255	9,742	2,231	2,302	1,032	16,562
Fair Value Increases (Decreases)	568	(8,084)	(1,921)	(1,917)	(860)	(12,214)
Total Revenues	1,823	1,815	310	385	172	4,505
Expenditures						
Charity		7,553				7,553
Capital Improvements						-
Total Expenditures	-	7,553				7,553
Excess of Revenues Over (Under) Expenditures	1,823	(5,738)	310	385	172	(3,048)
Other Financing Sources (Uses)						
Transfer From Other Funds						-
Transfer to Other Funds			(6,199)	(1,364)	(880)	(8,443)
Total Other Financing Sources (Uses)			(6,199)	(1,364)	(880)	(8,443)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	1,823	(5,738)	(5,889)	(979)	(708)	(11,491)
Fund Balance - July 1	15,958	248,121	64,015	64,753	29,061	431,908
Fund Balance - June 30	17,781	242,383	58,126	63,774	28,353	420,417

CITY OF ROCKLAND  
 PERMANENT FUNDS  
 STATEMENT OF ACTIVITY - ALL OTHER  
 FOR THE YEAR ENDED JUNE 30, 2016

Exhibit D-4

	Cleveland/ Basick Library	Flower	Monroe Highway	Other Library	Total
Revenues					
Investment Income	372	252	205	203	1,032
Fair Value Increases (Decreases)	(308)	(209)	(169)	(174)	(860)
Total Revenues	64	43	36	29	172
Expenditures					
Abatement					-
Cemetery Care					-
Total Expenditures					-
Excess of Revenues Over (Under) Expenditures	64	43	36	29	172
Other Financing Sources (Uses)					
Transfer to Other Funds	(281)			(599)	(880)
Total Other Financing Sources (Uses)	(281)			(599)	(880)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(217)	43	36	(570)	(708)
Fund Balance - July 1	10,425	7,066	5,740	5,830	29,061
Fund Balance - June 30	10,208	7,109	5,776	5,260	28,353

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

Members of the City Council  
City of Rockland  
Rockland, ME 04841

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Rockland, Maine as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Rockland, Maine's basic financial statements and have issued our report thereon dated March 30, 2017.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses (2016-001 to 2016-003).

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Rockland, 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

*James W. Wadman, CPA*

James W. Wadman, CPA  
March 30, 2017

**James W.  
Wadman**

Certified Public Accountant

Telephone 207-667-6500  
Facsimile 207-667-3636

James W. Wadman, C.P.A.  
Ronald C. Bean, C.P.A.  
Kellie M. Bowden, C.P.A.  
Wanese L. Lynch, C.P.A.  
Amy E. Atherton, C.P.A.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Members of the City Council  
City of Rockland  
Rockland, ME 04841

**Report on Compliance for Each Major Federal Program**

We have audited the City of Rockland, Maine's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Rockland, Maine's major federal programs for the year ended June 30, 2016. The City of Rockland, Maine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of City of Rockland, Maine's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Audits Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Rockland, Maine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, City of Rockland, Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

**Report on Internal Control over Compliance**

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully Submitted,

*James W. Wadman, CPA*

James W. Wadman, CPA  
March 30, 2017

**SCHEDULE I**  
**CITY OF ROCKLAND**  
*Summary Schedule of Prior Audit Findings*  
*For the Year Ended June 30, 2016*

**2015-001 EXPENDING MONIES WITHOUT APPROVED FUNDING IN PLACE-SALT/SAND SHED**

*Criteria:* Funding for projects should be approved before expenditures occur.

*Condition:* The City had spent money for engineering on the salt/sand shed project before funding was approved. The project was put on hold, and then canceled, but the funding for project expenditures in the amount of \$27,579 did not occur until March 2016.

*Effect:* Funding for the project required approval well after the services were provided. This may cause errors in budgeting and in the overall financial status.

*Recommendation:* We recommend management approve any funding before projects occur so the financial position is more accurate.

*Management's Response:* Management concurs with the auditor's recommendation.

*Current year status:* There were no findings in the current year.

**2015-002 EXPENDING MONIES WITHOUT APPROVED FUNDING IN PLACE-SCADA UPGRADE**

*Criteria:* Funding for projects should be approved before expenditures occur.

*Condition:* The scada upgrade was done with no approved funding in place in the amount of \$16,482.

*Effect:* Funding for expenditures required approval well after the project was done. This may cause errors in budgeting and in the overall financial status.

*Recommendation:* We recommend management approve any funding before expenditures occur so the financial position is more accurate.

*Management's Response:* Management concurs with the auditor's recommendation.

*Current year status:* There were no findings in the current year.

**2015-003 EXPENDING MONIES BEFORE FUNDING IS AVAILABLE-POLICE CRUISERS**

*Criteria:* Funding for projects should be available before expenditures occur.

*Condition:* Police cruisers and video units were purchased as part of an approved lease, however, the portion of the lease for police cruisers and video units was denied. The police cruisers and video units were still purchased in the amount of \$64,720 with no funding.

*Effect:* Funds for the cruisers and video units were later approved to come from the general fund budget. This causes understatement of actual expenditures in the general fund and errors for planning purposes.

*Recommendation:* We recommend management have the proper funding in place before expenditures occur.

*Management's Response:* Management concurs with the auditor's recommendation.

*Current year status:* There were no findings in the current year.

**2015-004 APPROVING ADDITIONAL GRANT EXPENDITURES WITHOUT APPROVING ADDITIONAL FUNDING-SHIP GRANT**

*Criteria:* When approving additional grant expenditures that require a City match, management should approve where the local share is to be funded from.

*Condition:* Additional work was approved for the SHIP grant with an increase in the grant amount but also an increase in the City match. The additional City match was not approved to come from any source.

*Effect:* The additional match required an approval much later than the expenditures occurred with a vote in March 2016. This causes other funds and accounts to be overstated.

*Recommendation:* We recommend management approve all sources of additional funds before the project continues.

*Management's Response:* Management concurs with the auditor's recommendation.

*Current year status:* There were no findings in the current year.

**2015-005 APPROVING FUNDING SOURCES BEFORE THEY ARE AVAILABLE AND MEASUREABLE - GRANTS**

*Criteria:* When approving grant funding, the monies must be available and measurable.

*Condition:* The community for Maine's futures grant was approved with funding to come from the current year grant and TIF reserve funds and also from future years TIF reserve funds in the amount of up to \$17,000, which have not become available at the time of approval.

*Effect:* Governmental funds use the modified accrual basis of reporting and using future funds for current projects does not meet the standard for governmental reporting. Additionally, future funds may not be available when needed or errors may occur that deplete the funds if not reconciled.

*Recommendation:* We recommend management use only current financial resources when funding grants or projects.

*Management's Response:* Management concurs with the auditor's recommendation.

*Current year status:* Finding #2016-001 addresses a current year finding and management's response.

**2015-006 USING FUNDS NOT AVAILABLE IN THE BUDGET-GRANTS**

*Criteria:* Funding for grants should be available in the approved budget.

*Condition:* When approving the budget for the connector trail grant, funding included \$24,000 from the general fund community development grant. This amount was not available in the final approved budget.

*Effect:* Funds were not available to transfer to the grant until approved by management much later in March 2016.

*Recommendation:* We recommend management review available sources and verify the funding before approving the grant.

*Management's Response:* Management concurs with the auditor's recommendation.

*Current year status:* There were no findings in the current year.



*SCHEDULE H  
CITY OF ROCKLAND, MAINE  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2016*

*A. SUMMARY OF AUDITOR'S RESULTS*

1. The auditor's report expresses an unmodified opinion on the financial statements of the City of Rockland, Maine.
2. 3 material weaknesses relating to the audit of the financial statements are reported in the *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*.
3. No instances of noncompliance material to the financial statements of the City of Rockland were disclosed during the audit.
4. No material weaknesses or significant deficiencies relating to the audit of the major federal award programs are reported in the *Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance*.
5. The auditor's report on compliance for the major federal award programs for the City of Rockland expresses an unmodified opinion.
6. Audit findings relative to the major federal award programs for the City of Rockland are reported in Part C of this schedule.
7. The programs tested as major programs include:

CDBG Cluster, CFDA #14.228.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The City of Rockland was not determined to be a low-risk auditee.

*B. FINDINGS – FINANCIAL STATEMENT AUDIT*

**2016-001 APPROVING FUNDING SOURCES BEFORE THEY ARE AVAILABLE AND MEASUREABLE – ELM/MUSEUM STREET SIDEWALK PROJECT**

*Criteria:* When approving funding, the monies must be available and measurable.

*Condition:* The Elm/Museum Street Sidewalk Project was approved with additional funding to cover overages coming from the Downtown TIF reserve fund 2017 revenues, which have not become available at the time of approval.

*Cause:* Management approving funds not available at the time of approval.

*Effect:* Governmental funds use the modified accrual basis of reporting and using future funds for current projects does not meet the standard for governmental reporting. Additionally, future funds may not be available when needed or errors may occur that deplete the funds if not reconciled.

*Recommendation:* We recommend management use only current financial resources when funding grants or projects.

*Management's Response:* Management concurs with the auditor's recommendation.

**2016-002 RECONCILIATION OF CAPITAL IMPROVEMENT PROJECTS**

*Criteria:* The City has a separate fund to account for capital improvement projects. All activity should be recorded in the fund accordingly and reconciled.

*Condition:* Capital improvement projects revenues and expenditures were charged to various accounts throughout several funds. Calculating total project balances required additional audit time.

*Cause:* Turnover in staff along with various positions involved in coding entries contributed to the various accounts being used.

*Effect:* Inaccurate and incomplete financial records and additional time required to determine the ending balances for projects.

*Recommendation:* We recommend that management review each project to determine which accounts should be used and review this with responsible parties.

*Management's Response:* Management concurs with the auditor's recommendation.

**2016-003 RECORDING RESERVE FUND ACTIVITY IN ONE FUND**

*Criteria:* The City has separate funds to account for reserve activity. All activity should be recorded in one fund accordingly and reconciled.

*Condition:* Reserve account revenues and expenditures were charged to various accounts throughout several funds. Calculating total reserve balances required additional audit time.

*Cause:* Turnover in staff along with various accounts being used traditionally contributed.

*Effect:* Inaccurate and incomplete financial records and additional time required to determine the reserve balances.

*Recommendation:* We recommend that management review accounting procedures used for posting reserve transactions and follow consistent procedures.

*Management's Response:* Management concurs with the auditor's recommendation.

*C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT*

**NONE**

CITY OF ROCKLAND  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016

SCHEDULE III

Federal Grantor/Pass-Through Grantor/Program Title	Federal CPDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Housing and Urban Development: Passed Through State Department of Economic and Community Development				
2015 Home Repair Network Program	*14.228	20150924000000000000		1,326,415
2014 Home Repair Network Program	*14.228	2014152110000000000000		722,892
Micro-Enterprise Grant	*14.228	20151105000000000000		97,159
<b>Total U.S. Department of Housing and Urban Development</b>				<b>2,146,466</b>
U.S. Department of Transportation: Passed Through Maine Bureau of Highway Safety: Highway Safety Cluster:				
2016 Evidence Based Impaired Driving	20.600	ID16-034		1,850
2016 CIOT HVE Campaign & Increased SB Enforcement	20.609	OP15-048		1,768
Sub-Total Highway Safety Cluster				3,618
Passed Through Maine Dept of Transportation Transportation Planning-Camden Street	20.205	20140801000000000094		20,000
<b>Total U.S. Department of Transportation</b>				<b>23,618</b>
U.S. Bureau of Justice: Passed Through the County of Knox, Maine Byrne Jag Program	16.804	KNX-01-12		613
Byrne Jag Program	16.804	2009-SB-09-0581		55
<b>Total U.S. Bureau of Justice</b>				<b>668</b>
U.S. Department of Homeland Security: Passed Through Maine Emergency Management Agency: 2014 Emergency Management Performance Grant Program	97.042	EMW-2014-EP-00055		836
<b>Total U.S. Department of Homeland Security</b>				<b>836</b>
U.S. Department of Agriculture: Project Canopy Grant	10.675	UCF PE 11		1,684
<b>Total U.S. Department of Agriculture</b>				<b>1,684</b>
U.S. Department of Environmental Protection: Brownfield Assessment Program	66.818	96165801		44,158
<b>Total U.S. Department of Environmental Protection</b>				<b>44,158</b>
<b>Total</b>				<b>2,217,430</b>

CITY OF ROCKLAND  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City of Rockland, Maine under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Rockland, Maine, it is not intended to and does not present the financial position or changes in net position of the City of Rockland, Maine.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE C – INDIRECT COST RATE

The City of Rockland, Maine has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D – PASS-THROUGH AWARDS

The City of Rockland, Maine receives certain federal awards in the form of pass-through awards from the State of Maine. Such amounts received as pass-through awards are specifically identified on the Schedule.

**APPENDIX E**

**TOWN OF SOUTH THOMASTON, MAINE  
ANNUAL FINANCIAL STATEMENTS  
AND SUPPORTING SCHEDULES  
FOR THE  
YEAR ENDED DECEMBER 31, 2016**

**(With Report of Independent Auditors Thereon)**

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**TOWN OF SOUTH THOMASTON, MAINE**  
**INDEPENDENT AUDITORS' REPORT AND**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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# Maine Municipal Audit Services, PA

Mindy J. Cyr, CPA

## Independent Auditors' Report

To the Board of Selectmen  
Town of South Thomaston  
South Thomaston, Maine

We have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of Town of South Thomaston, Maine, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

### AUDITOR'S RESPONSIBILITY

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

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

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

### OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate remaining fund information of the Town of South Thomaston, Maine, as of December 31, 2016, and the respective changes in financial position in accordance with accounting principles generally accepted in the United States of America.

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## OTHER MATTERS

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-6 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.

The budgetary comparison information on page 22 is required by accounting principles generally accepted in the United States of America. This 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. The budgetary comparison schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements.

### Other Information

The other supplemental information section is the responsibility of management and the schedules were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit to the basic financial statements. In our opinion, the other supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Maine Municipal Audit Services, PA

Levant, Maine  
January 21, 2017

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**Town of South Thomaston  
Management's Discussion and Analysis  
Fiscal Year ending December 31, 2016**

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Management of the Town of South Thomaston offers this management's discussion and analysis report that will provide information that should be used in conjunction with the outside audit report for fiscal year ending December 31, 2016.

**Overview of the Financial Statements:**

The discussion and analysis report is intended to serve as an introductory to the full audit report. The audit report consists of three components: government-wide financial statements; fund financial statements, and the notes to the financial statements. This report is intended to explain some of these financial statements in a concise and non-financial terminology.

**Government-wide Financial Statements:**

The government-wide financial statements present the Town's financial position as of a certain date using some common financial reporting tools and using the modified accrual basis of accounting. The governmental activities that are reported include: general government, public safety, public works, health, social services, education and cemetery, parks and recreation activities.

**Fund Financial Statements:**

A fund is a group of related accounts that have been grouped together to maintain control over activities that are segregated for specific purposes and objectives. These funds include: trust fund accounts.

**Fiduciary Fund Accounts** include funds set aside by a specific trust fund document or by state law.

**Notes to the Financial Statements:**

The notes provide the reader with additional information about the Town that will help understand the financial data provided by our outside audit firm and our financial statements.

**Government Wide Financial Analysis:**

The audit report shows that the Town increased our net position by \$141,216.23 for the year ending December 31, 2016. Ending Net Position is \$ 2,400,782.30. The Town's outstanding long-term debt of \$ 278,696.38.

**Town of South Thomaston  
Management's Discussion and Analysis  
Fiscal Year ending December 31, 2016**

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All Town departments finished the year under budget. The general fund actual revenues totaled \$ 4,125,206.72, with actual expenditures totaling \$ 4,264,743.84.

**Contacting the Town's Management:**

If you have any questions about this report or need additional financial information, contact the Town Office at 125 Spruce Head Road, South Thomaston, Maine 04858.

Statement 1

Town of South Thomaston, Maine  
Statement of Net Position  
December 31, 2016

	Total Governmental Activities
<b>ASSETS:</b>	
<i>Current assets:</i>	
Cash and cash equivalents	\$ 732,525.49
Investments	408,324.75
Accounts receivable, net of allowance	20,995.71
Due from Fiduciary Fund	450.00
Taxes receivable	268,333.06
Tax liens receivable	<u>63,895.30</u>
<i>Total current assets</i>	\$ 1,494,524.31
<i>Non-current assets:</i>	
Capital assets, net of accumulated depreciation	1,281,876.54
<i>Total non-current assets</i>	<u>1,281,876.54</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,776,400.85</u></b>
<b>LIABILITIES:</b>	
<i>Current liabilities:</i>	
Accounts payable	\$ 7,785.49
Due to other governments	1,654.82
Current portion of long-term debt	<u>16,528.80</u>
<i>Total current liabilities</i>	\$ 25,969.11
<i>Non-current liabilities:</i>	
Non-current portion of long-term debt:	
Bonds payable	<u>262,167.58</u>
<i>Total non-current liabilities</i>	<u>262,167.58</u>
<b>TOTAL LIABILITIES</b>	<b>288,136.69</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Prepaid property taxes	31,046.36
Deferred revenue - revenue sharing	<u>56,435.50</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>87,481.86</b>
<b>NET POSITION:</b>	
Invested in capital assets, net of related debt	1,003,180.16
Restricted	407,677.26
Unrestricted	<u>989,924.88</u>
<b>TOTAL NET POSITION</b>	<b><u>2,400,782.30</u></b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$ 2,776,400.85</u></b>

The accompanying notes are an integral part of this statement.

Statement 2

Town of South Thomaston, Maine Statement of Activities For the Year Ended December 31, 2016					
Net (Expense) revenue and Changes in Net Position					
	Expenses	Charges for services	Primary Government		
			Operating Grants and Contributions	Governmental Activities	
				Total	
<i>Governmental activities:</i>					
General government	\$ 261,788.30	\$ 11,270.60	\$ -	\$ (250,517.70)	\$ (250,517.70)
Public health and sanitation	209,767.50	2,470.00	-	(207,297.50)	(207,297.50)
Public works	146,302.50	-	12,432.00	(133,870.50)	(133,870.50)
Public safety	206,591.30	-	-	(179,144.43)	(179,144.43)
County tax	249,091.29	-	-	(249,091.29)	(249,091.29)
Education	2,747,695.68	-	-	(2,747,695.68)	(2,747,695.68)
Interest expense	12,574.81	-	-	(12,574.81)	(12,574.81)
Unclassified	58,689.95	-	436.92	(58,253.03)	(58,253.03)
Depreciation	114,347.05	-	-	(114,347.05)	(114,347.05)
<b>Total governmental activities</b>	<b>4,006,848.47</b>	<b>41,187.47</b>	<b>12,868.92</b>	<b>(3,952,792.08)</b>	<b>(3,952,792.08)</b>
<b>Total Primary Government</b>	<b>4,006,848.47</b>	<b>41,187.47</b>	<b>12,868.92</b>	<b>(3,952,792.08)</b>	<b>(3,952,792.08)</b>
<i>General revenues:</i>					
Property taxes, levied for general purposes			3,515,884.65	3,515,884.65	
Excise taxes			278,385.85	278,385.85	
Interest income			1,944.02	1,944.02	
Interest and charges on liens			18,698.57	18,698.57	
Licenses and permits			3,836.90	3,836.90	
Grants and contributions not restricted to specific programs:					
State revenue sharing			63,000.00	63,000.00	
Tree growth			2,578.29	2,578.29	
Homestead			46,558.00	46,558.00	
Other state funds			2,229.00	2,229.00	
Miscellaneous revenues			61,023.03	61,023.03	
<b>Total general revenues and transfers</b>			<b>4,094,008.31</b>	<b>4,094,008.31</b>	
<i>Change in net position</i>			141,216.23	141,216.23	
<b>NET POSITION - BEGINNING</b>			<b>2,259,566.07</b>	<b>2,259,566.07</b>	
<b>NET POSITION - ENDING</b>			<b>\$ 2,400,782.30</b>	<b>\$ 2,400,782.30</b>	

The accompanying notes are an integral part of this statement.



Town of South Thomaston, Maine  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>			
Property taxes	\$ 3,494,064.65	\$ -	\$ 3,494,064.65
Excise taxes	378,385.85	-	378,385.85
Intergovernmental revenue	127,234.21	-	127,234.21
Interest income	676.04	1,267.98	1,944.02
Interest on taxes and lien fees	18,698.57	-	18,698.57
Licenses and permits	3,936.90	-	3,936.90
Charges for services	41,187.47	-	41,187.47
Other revenue	61,023.03	-	61,023.03
<b>Total revenues</b>	<b>4,125,206.72</b>	<b>1,267.98</b>	<b>4,126,474.70</b>
<b>EXPENDITURES:</b>			
General government	261,788.39	-	261,788.39
Public health and sanitation	209,767.50	-	209,767.50
Public works	196,886.50	-	196,886.50
Public safety	235,533.30	-	235,533.30
Special assessments	2,996,786.97	-	2,996,786.97
Unclassified	363,981.18	539.00	364,520.18
<b>Total expenditures</b>	<b>4,264,743.84</b>	<b>539.00</b>	<b>4,265,282.84</b>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<i>(139,537.12)</i>	<i>728.98</i>	<i>(138,808.14)</i>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	1,024.21	76,448.10	77,472.31
Transfers (out)	(76,448.10)	(1,024.21)	(77,472.31)
Proceeds from issuance of tax anticipation note	600,000.00	(189,343.71)	410,656.29
Pay-off of tax anticipation note	(601,231.23)	189,732.22	(411,499.01)
<b>Total other financing sources (uses)</b>	<b>(76,655.12)</b>	<b>75,812.40</b>	<b>(842.72)</b>
<i>Net change in fund balances</i>	<i>(216,192.24)</i>	<i>76,541.38</i>	<i>(139,650.86)</i>
<b>FUND BALANCES - BEGINNING</b>	<b>937,169.19</b>	<b>334,301.81</b>	<b>1,271,471.00</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 720,976.95</b>	<b>\$ 410,843.19</b>	<b>\$ 1,131,820.14</b>

Town of South Thomaston, Maine  
Balance Sheet  
Governmental Funds  
December 31, 2016

Statement 3

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 732,525.49	\$ -	\$ 732,525.49
Investments	-	408,324.75	408,324.75
Accounts receivable, net of allowance	20,995.71	-	20,995.71
Due from other funds	1,474.21	3,542.65	5,016.86
Taxes receivable, net	268,333.06	-	268,333.06
Tax liens receivable	63,895.30	-	63,895.30
<b>TOTAL ASSETS</b>	<b>\$ 1,087,223.77</b>	<b>\$ 411,867.40</b>	<b>\$ 1,499,091.17</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<i>Liabilities:</i>			
Accounts payable	\$ 7,785.49	\$ -	\$ 7,785.49
Due to other funds	3,542.65	1,024.21	4,566.86
Due to other governments	1,654.82	-	1,654.82
<b>Total liabilities</b>	<b>12,982.96</b>	<b>1,024.21</b>	<b>14,007.17</b>
<i>Deferred inflows of resources:</i>			
Prepaid property taxes	31,046.36	-	31,046.36
Deferred revenue - revenue sharing	56,435.50	-	56,435.50
Deferred property tax revenue	265,782.00	-	265,782.00
<b>Total deferred inflows of resources</b>	<b>353,263.86</b>	<b>-</b>	<b>353,263.86</b>
<i>Fund balances:</i>			
Assigned	8,352.16	3,165.93	11,518.09
Restricted	-	407,677.26	407,677.26
Unassigned	712,624.79	-	712,624.79
<b>Total fund balances</b>	<b>720,976.95</b>	<b>410,843.19</b>	<b>1,131,820.14</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 1,087,223.77</b>	<b>\$ 411,867.40</b>	
<i>Amounts reported for governmental activities in the statement of net position (Stmnt. 1) are different because:</i>			
Depreciable and non-depreciable capital assets as reported in Stmnt. 1			1,281,876.54
Long-term liabilities, including bonds payable, as reported on Stmnt. 1			(278,696.38)
Deferred property taxes not reported on Stmnt. 1			265,782.00
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>			<b>\$ 2,400,782.30</b>

The accompanying notes are an integral part of this statement.

The accompanying notes are an integral part of this statement.

(Continued)

Statement 4  
(Continued)

Town of South Thomaston, 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 December 31, 2016

<b>Net change in fund balances - total governmental funds (Statement 4)</b>	\$ (139,650.86)
Amounts reported for governmental activities in the statement of activities (Stmt. 2) are different due to the following items:	
Depreciation expense recorded on statement of activities, yet not required to be recorded as expenditures on governmental funds	(114,347.05)
Capital outlays expensed on the Governmental Funds report (Stmt. 4), yet not considered an expense for the purposes of Statement of Activities (Stmt. 2)	311,408.00
Revenues in the Statement of Activities (Stmt 2) that do not provide current financial resources are not reported as revenues in the funds. More specifically, this amount represents the change in deferred property taxes.	21,590.00
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. More specifically, this represents the net amount of principal reduction in debt service made during the fiscal year.	62,216.14
<b>Changes in net position of governmental activities (see Stmt. 2)</b>	<b>\$ 141,216.23</b>

Town of South Thomaston, Maine  
Statement of Fiduciary Net Position  
Fiduciary Funds  
December 31, 2016

	Private Purpose Trust Funds
<b>Assets:</b>	
Investments	\$ 716,003.72
<i>Total assets</i>	<i>716,003.72</i>
<b>Liabilities:</b>	
Due to General Fund	450.00
<i>Total liabilities</i>	<i>\$ 450.00</i>
<b>Net position:</b>	
Non-spendable - footnote	\$ 678,731.58
Restricted	36,822.14
<b>TOTAL NET POSITION - FIDUCIARY FUND</b>	<b>\$ 715,553.72</b>

The accompanying notes are an integral part of this statement.

The accompanying notes are an integral part of this statement.

**TOWN OF SOUTH THOMASTON, MAINE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Town of South Thomaston, Maine (the Town) was incorporated in 1848. The Town operates under a selectmen/administrative assistant/town meeting form of government and is incorporated under the laws of the State of Maine.

The accounting policies of the Town conform to U.S. generally accepted accounting principles (GAAP) as applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institutes of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and the Financial Accounting Standards Board (when applicable).

GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments*, and its amendments, established new financial reporting requirements for governments and caused the Town to restructure much of the information presented in the past. The more significant of the government’s accounting policies are described below.

The accompanying financial statements present the government of the Town of South Thomaston, Maine, which is identified based upon the criteria identified in GASB Statement No. 14, *The Financial Reporting Entity*. The Town engages in a range of municipal services, including administrative services, public safety, health and sanitation, and education. The financial statements include all operations of the Town. Based on criteria set forth in Section 2100 of GASB’s *Codification of Governmental Accounting and Financial Reporting Standards*, the Town of South Thomaston has no component units that are not included in this report.

**B. Basis of Presentation**

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 either governmental or business-type.

Government-Wide Financial Statements

The Government-wide financial statements consist of a Statement of Net Position and a Statement of Activities that report information on all of the non-fiduciary activities of the Town as a whole.

The Statement of Net Position reports all financial and capital resources of the Town and reports the difference between assets and liabilities as “net position” not fund balance or equity. The Statement of Activities shows the degree to which the direct expenses of a given function or segment are offset by program revenue and reflects the “net (expense) revenue” of the Town’s individual functions before applying general revenues. The Town has elected not to allocate indirect costs among programs. Program revenues include 1) charges to customers for services and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

Statement 4

Town of South Thomaston, Maine  
Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
Majority Fund Type  
For the Year Ended December 31, 2016

	NON-DEPENDABLE TRUST FUNDS											Total Majority Fund
	Henry Allen Nelson Fund	Popl & Elm Street Memorial Fund	Archieburn Trust Fund	Beaulieu & Anne Mabel Beaulieu	Beaulieu & Anne Mabel Beaulieu	Beaulieu & Anne Mabel Beaulieu	Beaulieu & Anne Mabel Beaulieu	Beaulieu & Anne Mabel Beaulieu	Beaulieu & Anne Mabel Beaulieu	Beaulieu & Anne Mabel Beaulieu	Beaulieu & Anne Mabel Beaulieu	
<b>REVENUES</b>												
Interest Income	1,000	280	100	100	100	100	100	100	100	100	100	1,000
Fund Revenues	1,000	280	100	100	100	100	100	100	100	100	100	1,000
<b>EXPENSES (DEFICIENCY OF REVENUES OVER FUNDS) EXPENDITURES</b>	1,000	280	100	100	100	100	100	100	100	100	100	1,000
<b>OTHER FINANCING SOURCES (USES) OF FUNDS</b>												
Transfer (to) from General Fund	(1,000)	(280)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(1,000)
Transfer from General Fund - TAN and interest	1,000	280	100	100	100	100	100	100	100	100	100	1,000
Total other financing sources (uses)	0	0	0	0	0	0	0	0	0	0	0	0
<b>EXPENSES (DEFICIENCY OF REVENUES AND OTHER FINANCING SOURCES OVER FUNDS) EXPENDITURES AND OTHER FINANCING USES</b>	1,000	280	100	100	100	100	100	100	100	100	100	1,000
<b>FUND BALANCE - BEGINNING OF YEAR</b>	2,000	500	200	200	200	200	200	200	200	200	200	2,000
<b>FUND BALANCE - END OF YEAR</b>	1,000	220	100	100	100	100	100	100	100	100	100	1,000

TOWN OF SOUTH THOMASTON, MAINE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**B. Basis of Presentation (Continued)**

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. The focus of governmental and proprietary fund financial statements is on major funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with non-major funds being aggregated and displayed in a single column. The General Fund is always a major fund.

Because of the basis of accounting and reporting differences, summary reconciliations to the Government-wide financial statements are presented at the end of each applicable fund financial statement.

**C. Measurement Focus and Basis of Accounting**

Governmental Fund Types

*General Fund* – 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.

*Capital Projects Fund* – Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

*Special Revenue Fund* – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Fiduciary Fund Types

*Fiduciary funds* account for assets held by the Town in a trustee capacity. Non-expendable trust funds are held for investment with the interest only available for cemetery and other specified expenditures.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting is a conceptual description of the timing of the accounting measurements made.

The Government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, in accordance with GASB #34. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

As a general rule, the effect of interfund activity has been eliminated from the Government-wide financial statements.

TOWN OF SOUTH THOMSTON, MAINE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis concept, revenues are recognized when they become measurable (estimable as to the net amount to be collected) and available as current assets. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

When both restricted and unrestricted resources are available, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Budgets and Budgetary Accounting**

Formal budgetary accounting is employed as a management control for the general fund only. Annual operating budgets are adopted each fiscal year by the registered voters of the Town at their annual Town meeting. Budgets are established in accordance with generally accepted accounting principles. Budgetary control is exercised at the selectmen level, since individual department heads do not exist. All unencumbered budget appropriations lapse at the end of the year unless specifically designated by the Board of Selectmen or required by law.

**E. Assets, Liabilities, Fund Equity, Revenue, Expenditures and Expenses**

Cash and Cash Equivalents

Cash and cash equivalents include currency on hand, demand deposits with financial institutions, and other accounts with an original maturity of three months or less when purchased. Investments are recorded at fair market value.

Interfund Receivables and Payables

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts.

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment and infrastructure assets (roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical costs or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**TOWN OF SOUTH THOMASTON, MAINE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land & land improvements	15-50
Infrastructure	10-20
Buildings	20-50
Equipment & vehicles	5-10

**Net Position and Fund Balances**

In the Government-wide financial statements, the difference between the Town's total assets and total liabilities represents net position. Net position displays three components – invested in capital assets, net of related debt; restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net position represents the net assets available for future operations.

In the Fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. These designations are categorized as follows:

*Non-spendable* – Funds that are not in spendable form, such as funds that are legally required to be maintained in tact (corpus of a permanent fund).

*Restricted* – Funds that are restricted for use by an external party, constitutional provision, or enabling legislation.

*Assigned* – Funds intended to be used for specific purposes set by the Board of Selectmen.

*Unassigned* – Funds available for any purpose.

**Deferred Revenue**

Deferred revenue arises when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenue arises when resources are received by the Town before the Town has legal claim to them. In subsequent periods, when both revenue recognition criteria are met or when the Town has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

**Property Taxes**

Property taxes for the current year were committed on July 27, 2016, on the assessed value listed as of April 1, 2016, for all real and personal property located in the Town. Payment of taxes was due October 3, 2016, with interest at 7% on all tax bills unpaid as of the due date.

**TOWN OF SOUTH THOMASTON, MAINE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 \$20,884.35 for the year ended December 31, 2016.

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

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

**Risk Management**

The Town pays insurance premiums to certain agencies to cover risks that may occur in normal operations. The Town purchases employee fidelity bond coverage. There have been no significant reductions in insurance coverage from the prior year. No settlements of claims have exceeded insurance coverage in the current year.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates are used to determine depreciation expense. Actual results could differ from those estimates.

**2. DEPOSITS AND INVESTMENTS**

**Deposits**

Custodial credit risk of deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized or collateralized by securities held by the pledging financial institution's trust department but not in the Town's name. At December 31, 2016, cash deposits had a carrying value of \$732,525.49. Of the deposited amounts, \$250,000 per bank was protected by depository insurance, with additional private deposit insurance up to \$1,500,000. Accordingly, the Town was not exposed to custodial credit risk at December 31, 2016.

**Investments**

The Town has not adopted a formal investment policy, but follows state statutes which 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, certificates of deposits with financial institutions, mutual funds, and repurchase agreements. The Town had \$1,124,328.47 invested with Machias Savings Bank at December 31, 2016. The investment was protected by deposit insurance.

**TOWN OF SOUTH THOMASTON, MAINE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**3. CAPITAL ASSETS**

Governmental activities:	Balance 1/1/16	Additions	Deletions	Balance 12/31/16
<i>Capital assets not being depreciated:</i>				
Land & improvements	\$ 294,695.00	\$ -	\$ -	\$ 294,695.00
<i>Capital assets being depreciated:</i>				
Buildings	439,707.00	231,882.00	-	671,589.00
Vehicles	703,401.52	-	-	703,401.52
Equipment	234,777.19	28,942.00	-	263,719.19
Infrastructure	995,461.64	50,584.00	-	1,046,045.64
<i>Total capital assets being depreciated</i>	2,373,347.35	311,408.00	-	2,684,755.35
<i>Less accumulated depreciation</i>	(1,583,226.76)	(114,347.05)	-	(1,697,573.81)
<i>Total capital assets being depreciated, net</i>	790,120.59	197,060.95	-	987,181.54
<b>Governmental activities Capital assets, net</b>	<b>\$ 1,084,815.59</b>	<b>\$ 197,060.95</b>	<b>\$ -</b>	<b>\$ 1,281,876.54</b>

Depreciation expense is allocated to the following departments of the town:

General govern	\$14,434.67
Public works	46,568.90
Public safety	46,856.50
Recreation & culture	<u>6,486.97</u>
<b>Total</b>	<b><u>\$ 114,347.05</u></b>

**4. ACCOUNTS RECEIVABLE**

Accounts receivable consists of the following:

State of Maine – Homestead exemption	\$ 12,052.00
Ambulance billing, net (see below)	<u>8,943.71</u>
	<b><u>\$ 20,995.71</u></b>

The ambulance billing accounts receivable is shown net of the estimated allowance for doubtful accounts:

Ambulance billing	\$ 24,763.01
Estimated uncollectible	<u>(15,819.30)</u>
	<b><u>\$ 8,943.71</u></b>

**TOWN OF SOUTH THOMASTON, MAINE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**5. FUND BALANCE**

**Assigned Fund Balance:**

General Fund – Building renovations	\$ 8,352.16
Capital Projects Fund – Fire truck repair reserve	<u>3,165.93</u>
	<b><u>\$ 11,518.09</u></b>

**Restricted Fund Balance:**

**Capital Projects Fund:**

Ambulance reserve	\$ 35,959.24
Ambulance equipment	26,903.30
Town landings	161,328.66
Revaluation	30,835.87
Fire equipment	8,460.79
Fire truck	64,878.49
Paving reserve	52,197.22
Cemetery reserve	5,558.41
Building reserve	19,202.93

**Special Revenue Fund:**

Skateboard park fund	366.69
Library MBNA grant 2006	168.66
Lives lost at sea memorial	1,300.00
Fuel assistance donations	<u>517.00</u>

**Total**

**\$ 407,677.26**

**Fiduciary Fund:**

	<i>Non-spendable:</i>	<i>Restricted:</i>	<i>Total:</i>
Horace Allen scholarship	\$ 500.00	\$ 1,799.22	\$ 2,299.22
Ralph & Ella Rackliff Memorial Fund	100,000.00	2,980.20	102,980.20
Ambulance Trust Fund	-	20,532.93	20,532.93
Randall & Arlene Hopkins Memorial Fund	30,000.00	894.34	30,894.34
Randall & Arlene Hopkins Library Fund	50,000.00	1,335.83	51,335.83
Randall & Arlene Hopkins Historical Fund	50,000.00	1,335.83	51,335.83
Randall & Arlene Hopkins Memorial Fund	328,626.58	6,473.27	335,099.85
Forest Hills Cemetery Trust	7,000.00	41.82	7,041.82
Miriam Pierce Cemetery Trust	2,000.00	1,673.76	3,673.76
Monroe Cemetery Trust	4,000.00	2.21	4,002.21
Ocean View Cemetery Trust	37,115.00	(108.98)	37,006.02
Village Cemetery Trust	68,190.00	(299.69)	67,890.31
Thorndike Cemetery Trust	600.00	105.91	705.91
Williams Cemetery Trust	700.00	55.49	755.49
<b>Total</b>	<b><u>\$ 678,731.58</u></b>	<b><u>\$ 36,822.14</u></b>	<b><u>\$ 715,553.72</u></b>

**6. DEFERRED REVENUE**

The Deferred Revenue accounts shown on the balance sheet are for the following items:

*State revenue sharing* - \$ 56,435.50 – This number represents the accumulated difference between the actual state revenue sharing received and the estimated amount used to reduce the property tax commitment each year.

**TOWN OF SOUTH THOMASTON, MAINE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

Schedule A

**7. LONG-TERM DEBT**

Long-term liability activity for the year ended December 31, 2016 was as follows:

	1/1/2016	Additions	Payments	12/31/2016
Androscoggin Bank, fire truck, 2 year lease dated 10/1/2014	\$ 45,912.52	\$ -	\$ (45,912.52)	\$ -
The First, NA, building renovations, dated 10/1/2015, 2.86%	295,000.00	-	(16,303.62)	278,696.38
Tax anticipation loan from capital project and trust funds	-	600,000.00	(600,000.00)	-
	<b>\$ 340,912.52</b>	<b>\$ 600,000.00</b>	<b>\$ (662,216.14)</b>	<b>\$ 278,696.38</b>

The annual future principal payment requirement for bonds payable outstanding as of December 31, 2016, is as follows:

Year ending December 31,	Governmental Activities
2017	\$ 16,528.80
2018	17,001.52
2019	17,487.77
2020	17,987.92
2021	18,502.37
2022-2026	100,758.62
2027-2029	<u>90,429.38</u>
<b>Total</b>	<b>\$ 278,696.38</b>

**8. PENDING LITIGATION**

According to Town management, there are no matters that would result in adverse losses, claims, or assessments against the Town through the date of the audit report.

**9. SUBSEQUENT EVENTS**

Management has made an evaluation of subsequent events to and including the audit report date, which was the date the financial statements were available to be issued, and determined that any subsequent events that would require recognition or disclosure have been considered in the preparation of the financial statements.

**Town of South Thomaston, Maine  
General Fund  
Budgetary Comparison Schedule  
For the Year Ended December 31, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 3,524,408.14	\$ 3,524,408.14	\$ 3,494,064.65	\$ (30,343.49)
Excise taxes	343,000.00	343,000.00	378,385.85	35,385.85
Intergovernmental revenue	125,407.19	125,407.19	127,234.21	1,827.02
Interest income	550.00	550.00	676.04	126.04
Interest on taxes and lien fees	23,000.00	23,000.00	18,698.57	(4,301.43)
Licenses and permits	1,600.00	1,600.00	3,936.90	2,336.90
Charges for services	69,130.00	69,130.00	41,187.47	(27,942.53)
Other revenues	49,947.00	49,947.00	61,023.03	11,076.03
<b>Total revenues</b>	<b>4,137,042.33</b>	<b>4,137,042.33</b>	<b>4,125,206.72</b>	<b>(11,835.61)</b>
<b>EXPENDITURES:</b>				
General government	284,616.00	284,616.00	261,788.39	22,827.61
Public health and sanitation	208,841.00	211,235.50	209,767.50	1,468.00
Public works	215,163.00	215,163.00	196,886.50	18,276.50
Public safety	235,795.00	235,795.00	235,533.30	261.70
Special assessments	2,996,786.98	2,996,786.98	2,996,786.97	0.01
Unclassified	126,886.00	382,051.40	363,981.18	18,070.22
<b>Total expenditures</b>	<b>4,068,087.98</b>	<b>4,325,647.88</b>	<b>4,264,743.84</b>	<b>60,904.04</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>68,954.35</b>	<b>(188,605.55)</b>	<b>(139,537.12)</b>	<b>(72,739.65)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	1,024.21	1,024.21
Transfers (out)	(71,415.00)	(71,415.00)	(76,448.10)	(5,033.10)
Transfer in - Proceeds from issuance of tax anticipation note	-	-	600,000.00	600,000.00
Transfer (out) - Pay-off of tax anticipation note	-	-	(601,231.23)	(601,231.23)
<b>Total other financing sources</b>	<b>(71,415.00)</b>	<b>(71,415.00)</b>	<b>(76,655.12)</b>	<b>(5,240.12)</b>
<b>Net changes in fund balances</b>	<b>(2,460.65)</b>	<b>(260,020.55)</b>	<b>(216,192.24)</b>	<b>(77,979.77)</b>
<b>TOTAL FUND BALANCES - BEGINNING</b>			<b>937,169.19</b>	
<b>TOTAL FUND BALANCES - ENDING</b>			<b>\$ 720,976.95</b>	

Schedule B

Town of South Thomaston, Maine  
 Combining Balance Sheet - All Other Non-Major Governmental Funds  
 December 31, 2016

	Capital Reserve Funds	Special Revenue Funds	Total Other Governmental Funds
<b>ASSETS:</b>			
Investments	\$ 408,324.75	\$ -	\$ 408,324.75
Due from the General Fund	1,190.30	2,352.35	3,542.65
<b>TOTAL ASSETS</b>	<b>\$ 409,515.05</b>	<b>\$ 2,352.35</b>	<b>\$ 411,867.40</b>
<b>LIABILITIES AND FUND BALANCES:</b>			
<i>Liabilities:</i>			
Due to the General Fund	\$ 1,024.21	\$ -	\$ 1,024.21
<b>Total liabilities</b>	<b>1,024.21</b>	<b>-</b>	<b>1,024.21</b>
<i>Fund Balance:</i>			
<i>Restricted:</i>			
Ambulance reserve	35,959.24	-	35,959.24
Ambulance equipment	26,903.30	-	26,903.30
Town landing	161,328.66	-	161,328.66
Revaluation	30,835.87	-	30,835.87
Fire equipment	8,460.79	-	8,460.79
Fire truck	64,878.49	-	64,878.49
Paving	52,197.22	-	52,197.22
Cemetery reserve	5,558.41	-	5,558.41
Building reserve	19,202.93	-	19,202.93
Skateboard fund	-	366.69	366.69
Library MBNA grant	-	168.66	168.66
Lives lost at sea memorial	-	1,300.00	1,300.00
Fuel assistance donations	-	517.00	517.00
<i>Assigned:</i>			
Fire truck repair reserve	3,165.93	-	3,165.93
<b>Total fund balance</b>	<b>408,490.84</b>	<b>2,352.35</b>	<b>410,843.19</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 409,515.05</b>	<b>\$ 2,352.35</b>	<b>\$ 411,867.40</b>

Schedule C

Town of South Thomaston, Maine  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
 Capital Reserve Funds  
 For the Year Ended December 31, 2016

	Ambulance Reserve	Ambulance Equipment	Anderson Cemetery	Town Landing	Revaluation	Fire Equipment	Fire Truck	Paving	Cemetery Reserve	Building Reserve	Fire Truck Repair Reserve	Total Other Governmental Funds
<b>REVENUES:</b>												
Interest income	\$ 87.89	\$ 76.79	\$ 3.48	\$ 541.33	\$ 104.55	\$ 23.88	\$ 137.08	\$ 176.97	\$ 16.45	\$ 79.97	\$ 9.82	\$ 1,262.88
Fund revenues	87.89	76.79	3.48	541.33	104.55	23.88	137.08	176.97	16.45	79.97	9.82	1,262.88
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>87.89</b>	<b>76.79</b>	<b>3.48</b>	<b>541.33</b>	<b>104.55</b>	<b>23.88</b>	<b>137.08</b>	<b>176.97</b>	<b>16.45</b>	<b>79.97</b>	<b>9.82</b>	<b>1,262.88</b>
<b>OTHER FINANCING SOURCES (USES) OF FUNDS:</b>												
Transfer from General Fund	10,000.00	7,000.00	-	3,708.10	-	3,000.00	34,300.00	-	1,000.00	17,000.00	1,100.00	76,448.10
Transfer (to) General Fund	(1,024.21)	-	(1,024.21)	-	-	-	-	-	-	-	-	(1,024.21)
Transfer (to) General Fund - TAN	(14,862.97)	(11,122.33)	(267.43)	(91,406.46)	(17,685.40)	(13,704.37)	(17,409.43)	(19,917.15)	(2,613.87)	-	-	(181,141.71)
Transfer from General Fund - TAN and interest	14,813.50	11,145.04	688.83	91,368.06	17,721.88	9,711.08	17,429.35	20,088.59	2,613.32	-	-	180,372.32
* (Total other financing sources (uses))	9,938.32	7,922.67	(1,622.81)	3,480.60	35.38	2,006.63	34,725.72	41.44	1,000.00	17,000.00	1,100.00	76,712.68
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>10,126.42</b>	<b>7,999.40</b>	<b>(1,019.13)</b>	<b>4,026.77</b>	<b>140.83</b>	<b>2,011.49</b>	<b>34,672.80</b>	<b>218.41</b>	<b>1,021.80</b>	<b>17,079.97</b>	<b>1,109.82</b>	<b>77,080.38</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>24,601.82</b>	<b>19,303.70</b>	<b>1,024.53</b>	<b>157,303.89</b>	<b>30,095.04</b>	<b>6,429.90</b>	<b>30,205.69</b>	<b>51,958.81</b>	<b>4,516.63</b>	<b>2,122.86</b>	<b>2,006.11</b>	<b>133,430.66</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 34,728.24</b>	<b>\$ 26,903.30</b>	<b>\$ -</b>	<b>\$ 161,328.66</b>	<b>\$ 30,095.87</b>	<b>\$ 8,460.79</b>	<b>\$ 64,878.49</b>	<b>\$ 52,197.22</b>	<b>\$ 5,558.41</b>	<b>\$ 19,202.93</b>	<b>\$ 3,165.93</b>	<b>\$ 408,490.84</b>



Town of South Thomaston, Maine  
 Schedule of Property Valuation, Assessment and Appropriations  
 General Fund  
 For the Year Ended December 31, 2016

<i>Assessed Valuation:</i>	
Real estate valuation	\$ 266,241,146.00
Personal property valuation	<u>1,164,631.00</u>

*Total valuation* 267,405,777.00

<i>Tax Commitment:</i>	
Tax assessment at \$13.18 per thousand	<u>3,524,408.14</u>

*Reconciliation of Commitment with Appropriation:*  
 Current year tax commitment, as above 3,524,408.14

<i>Estimated revenues:</i>	
Excise taxes	343,000.00
State revenue sharing	63,000.00
LRAP	12,492.00
Homestead exemption reimbursement	46,558.35
Snowmobile	350.00
Veteran's exemption	2,100.00
BETE reimbursement	156.84
General assistance	750.00
Charges for services	69,130.00
Interest	550.00
Interest and lien fees	23,000.00
Building permit and fees	1,600.00
Reimbursements	18,000.00
Other income	34,452.00
Appropriated from fund balance	<u>22,740.00</u>

Municipal appropriations	1,142,716.00	4,162,287.33
County tax	249,091.29	
Education	2,747,695.69	
Transfers out	<u>1,900.00</u>	
		<u>\$ 4,141,402.98</u>

**OVERLAY \$ 20,884.35**

Schedule D

Town of South Thomaston, Maine  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
 Special Revenue Funds  
 For the Year Ended December 31, 2016

	<i>SPECIAL REVENUE FUNDS</i>				<i>Total Other Governmental Funds</i>
	<i>Skateboard Fund</i>	<i>Library MBNA Grant</i>	<i>Lives Lost at Sea Memorial</i>	<i>Fuel Assistance Donations</i>	
<b>REVENUES:</b>					
Donations	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES:</b>					
Library expenditures	-	539.00	-	-	539.00
Memorial	-	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>539.00</u>	<u>-</u>	<u>-</u>	<u>539.00</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	-	(539.00)	-	-	(539.00)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	366.69	707.66	1,300.00	517.00	2,891.35
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 366.69</u>	<u>\$ 168.66</u>	<u>\$ 1,300.00</u>	<u>\$ 517.00</u>	<u>\$ 2,352.35</u>

Schedule F

Town of South Thomaston, Maine  
 Schedule of Taxes Receivable  
 General Fund  
 December 31, 2016

<i>Taxes receivable:</i>			
Real	\$	267,149.40	
Personal property		<u>1,183.66</u>	
	\$		268,333.06
<i>Tax liens receivable:</i>			
2015		<u>63,895.30</u>	
			63,895.30
<b>TOTAL TAXES AND TAX LIENS RECEIVABLE</b>	<b>\$</b>	<b><u>332,228.36</u></b>	

Schedule G

Town of South Thomaston, Maine  
 Schedule of Expenditures - Departmental Operations  
 For the Year Ended December 31, 2016

	Balance 1/1/2016	Appropriations	Budget Adjustments	Total Available	Expenditures	Lapsed	Balances Carried
<b>GENERAL GOVERNMENT:</b>							
Administration	\$ -	\$ 197,649.00	\$ -	\$ 197,649.00	\$ 178,113.04	\$ -	\$ 19,535.96
Assessors	-	37,411.00	-	37,411.00	32,764.69	-	4,646.31
Building and grounds	-	29,006.00	-	29,006.00	30,337.38	-	(1,331.38)
Planning board/board of appeals	-	1,000.00	-	1,000.00	1,557.69	-	(557.69)
Code enforcement	-	19,550.00	-	19,550.00	19,015.59	-	534.41
<i>Total</i>	-	284,616.00	-	284,616.00	261,788.39	-	22,827.61
<b>PUBLIC HEALTH AND SANITATION:</b>							
General assistance	-	1,500.00	-	1,500.00	102.00	-	1,398.00
Solid waste	-	207,341.00	2,394.50	209,735.50	209,665.50	-	70.00
<i>Total</i>	-	208,841.00	2,394.50	211,235.50	209,767.50	-	1,468.00
<b>PUBLIC WORKS:</b>							
Town roads/snow removal	-	207,928.00	(2,394.50)	205,533.50	194,512.49	-	11,021.01
Town landings and harbors	-	7,235.00	-	7,235.00	2,374.01	-	4,860.99
<i>Total</i>	-	215,163.00	(2,394.50)	212,768.50	196,886.50	-	15,882.00
<b>PUBLIC SAFETY:</b>							
Street lights	-	8,200.00	-	8,200.00	8,068.93	-	131.07
Ambulance department	-	114,140.00	-	114,140.00	110,850.40	-	3,289.60
Animal control	-	23,027.00	-	23,027.00	20,598.31	-	2,428.69
Fire department	-	90,428.00	-	90,428.00	96,015.66	-	(5,587.66)
<i>Total</i>	-	235,795.00	-	235,795.00	235,533.30	-	261.70

Schedule G

Town of South Thomaston, Maine  
 Schedule of Expenditures - Departmental Operations  
 For the Year Ended December 31, 2016

	Balance 1/1/2016	Appropriations	Total Available	Expenditures	Lapsed	Balances Carried
<b>SPECIAL ASSESSMENTS:</b>						
County Tax	-	249,091.29	249,091.29	249,091.29	-	-
Education	-	2,747,695.69	2,747,695.69	2,747,695.68	0.01	-
<b>Total</b>	-	2,996,786.98	2,996,786.98	2,996,786.97	0.01	-
<b>UNCLASSIFIED:</b>						
Debt service	-	73,973.00	73,973.00	73,948.23	24.77	-
Library	-	1,500.00	1,500.00	981.57	518.43	-
Recreation	-	360.00	360.00	28.00	332.00	-
Building renovations	255,165.40	-	255,165.40	246,813.24	-	8,352.16
Capital expense	-	28,896.00	28,896.00	27,585.07	1,310.93	-
Miscellaneous	-	22,157.00	22,157.00	14,625.07	7,531.93	-
<b>Total</b>	255,165.40	126,886.00	382,051.40	363,981.18	9,718.06	8,352.16
<b>CAPITAL RESERVES:</b>						
Fire truck reserve	-	34,500.00	34,500.00	34,500.00	-	-
Fire equipment reserve	-	2,000.00	2,000.00	2,000.00	-	-
Town landing reserve	-	765.00	765.00	3,298.10	(2,533.10)	-
Cemetery reserve	-	1,000.00	1,000.00	1,000.00	-	-
Ambulance reserve	-	10,000.00	10,000.00	10,000.00	-	-
Ambulance equipment reserve	-	5,000.00	5,000.00	7,500.00	(2,500.00)	-
Building reserve	-	17,000.00	17,000.00	17,000.00	-	-
Fire truck repair reserve	-	1,150.00	1,150.00	1,150.00	-	-
<b>Total</b>	-	71,415.00	71,415.00	76,448.10	(5,033.10)	-
<b>TOTAL EXPENDITURES</b>	<b>\$ 255,165.40</b>	<b>\$ 4,139,502.98</b>	<b>\$ 4,394,668.38</b>	<b>\$ 4,341,191.94</b>	<b>\$ 45,124.28</b>	<b>\$ 8,352.16</b>

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**APPENDIX F**

**TOWN OF THOMASTON, MAINE  
ANNUAL FINANCIAL STATEMENTS  
AND SUPPORTING SCHEDULES  
FOR THE  
YEAR ENDED JUNE 30, 2016**

**(With Report of Independent Auditors Thereon)**

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TOWN OF THOMASTON, MAINE  
Annual Financial Report  
For the Year ended June 30, 2016

TOWN OF THOMASTON, MAINE  
Annual Financial Report  
For the Year Ended  
June 30, 2016

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Independent Auditor's Report

Board of Selectmen  
Town of Thomaston, Maine

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Thomaston, Maine as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Thomaston, 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.

**Auditor's Responsibility**

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

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

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

Town of Thomaston

Page 2

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Thomaston, Maine as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Thomaston, Maine's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements 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 March 24, 2017, on our consideration of the Town of Thomaston, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Thomaston, Maine's internal control over financial reporting and compliance.



March 24, 2017  
South Portland, Maine

As management of the Town of Thomaston, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Thomaston for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our notes to the financial statements, which can be found on pages 28-48 of this report.

**Financial Highlights**

- The assets and deferred outflows of resources of the Town of Thomaston exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$18,460,701 (*net position*) (Statement 1). Of this amount, \$3,080,976 (*unrestricted net position*) (Statement 1) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town of Thomaston's total net position increased by \$564,335 (Statement 2). This represents an increase of \$689,192 in governmental activities, and a decrease of \$124,857 in business-type activities.
- As of the close of the current fiscal year, the Town of Thomaston's governmental funds reported combined ending fund balances of \$6,184,275 (Statement 3), an increase of \$1,030,998 (Statement 4) in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,173,077 (Statement 3) or 16.71% of total general fund expenditures of \$7,020,518 (Statement 4).
- Fund balances are allocated to five categories: 1) nonspendable; 2) restricted; 3) committed; 4) assigned; 5) unassigned. The nonspendable is made up of the CDBG Loan Fund non-current receivables in the amount of \$15,358 and the trust bequest of \$326,227, that is the basis from which the trusts were established as follows:

Cemetery	\$ 162,446
Library - Operating	66,609
Library - Books	97,172

- The restricted amount of \$3,233,401 is comprised of \$962,804 for the Library Operating Fund, \$538,651 to the T.I.F. District Fund, \$1,010,333 for economic development outside the 34-acre T.I.F. District, \$31,396 for the Thomaston Green Fund, \$121,142 for the CDBG Loan Fund, \$253,096 for the Library Book Fund and \$315,979 for the Cemetery Trust. The assigned amount of \$1,122,725 is made up of reserves and the 2017 budget carry forwards in the General Fund. The unassigned totals \$1,173,077 in the General Fund, and is 16.7% of the total 2015-2016 expenditures of \$7,020,518.

**Overview of the Financial Statements**

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

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

The *statement of net position*, Statement 1, presents information on all of the Town's assets and deferred outflows of resources less liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

The *statement of activities*, Statement 2, presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town of Thomaston that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

The net expenses of the governmental activities of the Town include:

General government	\$ 347,012
Municipal buildings	36,444
Public safety	700,362
Public works	582,077
Health and welfare	329,634
Education	3,756,886
County assessment	395,311
Recreation and leisure	78,518
Local agencies	16,256
Employee benefits	487,769
Library	125,447
Cemetery	30,331
Unclassified	60,067
Capital maintenance	34,012

The Town has one business-type activity, which consists of the Pollution Control Department.

**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 Thomaston, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

The Town of Thomaston maintains eight individual governmental funds. They are:

General Fund
Library Operating Fund
Library Book Fund
Cemetery Fund
TIF Fund (made up of the 2003 Dragon Products TIF and the 2010 Downtown TIF)
Non-TIF Economic Development Fund
Thomaston Green Fund
CDBG Loan Fund

Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, TIF Fund, Non-TIF Economic Development Fund and Library Operating Fund, which are considered to be major funds (Statement 3). Data from the other four governmental funds are combined into a single, aggregated presentation (Statement 3). Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report (See Exhibits B-1 and B-2).

The Town of Thomaston adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget (Statement 6).

**Proprietary funds.** The Town maintains one type of proprietary fund. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses the enterprise fund to account for its operations of pollution control.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 23-25 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties but not the Town as a whole. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town of Thomaston's own programs.

The basic fiduciary fund financial statements can be found on pages 26 and 27 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-48 of this report.

**Other information.** The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the accompanying notes. Combining and individual fund statements and schedules can be found on Exhibits A through D-1 of this report.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Thomaston, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$18,460,701 at the close of the most recent fiscal year (Statement 1).

**TOWN OF THOMASTON, MAINE**  
**Management's Discussion and Analysis, Continued**

By far the largest portion of the Town of Thomaston's net position (63.90%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Financial Analysis of the Government's Funds**

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

**Governmental funds.** The focus of the Town of Thomaston's *governmental funds* is to provide information on short-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year (Statement 3).

As of the end of the current fiscal year, the Town of Thomaston's governmental funds reported combined ending fund balances of \$6,184,275. Approximately 18.9% of this total amount (\$1,167,076) constitutes *unassigned fund balance*. Note that this balance was \$274,225 more than 2015 due to revenues exceeding expenditures.

General Fund on Exhibit A-2 shows the following actual expenditures:

General government	\$ 458,453
Municipal buildings	78,390
Public safety	596,215
Public works	441,270
Health and welfare	464,141
Education	3,756,886
Intergovernmental - county tax	395,311
Recreation and leisure	71,707
Local agencies	16,256
Employee benefits	487,769
Unclassified	73,274
<u>Capital outlays</u>	<u>180,846</u>
<u>Total expenditures</u>	<u>7,020,518</u>
<u>Excess of revenues over expenditures</u>	<u>\$ 1,007,808</u>

**Capital Asset and Debt Administration**

**Capital assets.** The Town of Thomaston's investment in capital assets for its governmental activities as of June 30, 2016, amounts to \$12,772,980 plus additional amounts for land and totaling \$324,800; however, the value net of depreciation is \$5,827,308. This investment in capital assets includes land, land improvements, buildings and improvements, vehicles, machinery and equipment, furniture and fixtures and infrastructure. The capital assets are listed on the next page.

**TOWN OF THOMASTON, MAINE**  
**Management's Discussion and Analysis, Continued**

Land	\$ 324,800
Land improvements	446,083
Buildings and building improvements	2,478,375
Machinery, vehicles and equipment	2,772,597
Infrastructure	7,001,627
Furniture and fixtures	74,298

The Town is GASB #34 compliant and has expended an average of \$ 309,489 per year in capital investments over a thirteen-year period. The major categories totaling \$ 4,023,361 are as follows.

	<u>Average per year</u>	<u>Total 13 years</u>
Paving	\$ 76,399	993,199
Public works vehicles	36,910	479,832
Public works infrastructure	14,488	188,349
Public works equipment	16,347	212,522
Public works buildings	6,655	86,526
Sidewalks	5,307	68,944
Fire vehicles	31,257	406,350
Fire department	13,600	176,808
Fire building	4,438	57,706
Ambulance	14,495	188,439
Police	17380	225,950
Academy	21,027	273,355
Watts Hall	26,034	338,444
Town Office	5,622	73,098
Recreation	4,496	58,447
Harbor	3,677	47,812
Other	1,634	20,600
Thomaston Green	9,764	126,931

The above expenditures for capital investments do not include the following considerations:

- Fire vehicles purchased prior to thirteen years or 2004-2005:
 

1995	\$154,000	Pumper
2003	343,325	Ladder
2003	<u>231,560</u>	Pumper
Total	<u>\$728,885</u>	

With the 2013 \$406,350 Pumper purchase, the average for twenty-three years is \$49,358 annually.
- Main Street Business Block area sidewalks of \$356,761, all from grants and a federal earmark, with the exception of \$5,000; voter approved. Veriden Town Clock \$24,000 from fundraiser.
- Buttermilk Lane realignment \$1,990,160 funded through MDOT; \$200,000 grant transferred from Rockland to Thomaston, and Non-TIF Economic Funds.
- Thomaston Green Trail \$222,502 funded with CDBG Grant; new road, sewer and sidewalk entering from Wadsworth Street; road, sewer and sidewalks \$250,000, voter approved, bond funded by Downtown TIF.

**TOWN OF THOMASTON, MAINE**  
**Management's Discussion and Analysis, Continued**

- Village Cemetery additional avenue expansion for grave lots, \$30,361 for Army Corps Engineers and DEP permits, etc.
- CDBG Streetscape Business Block rear and sides, \$162,500 funded from the grant and Town match
- Academy Building HVAC system \$79,474, of which the Friends of the Thomaston Library funded \$50,000.
- Fire Department utility truck \$50,000, donated by the Maine Lobster Festival, through the Thomaston Firemen's Association.

The Town of Thomaston established a sewer system in 1891 with piping flowing to the river. The system was upgraded with a treatment facility at the Public Landing in 1967. By 1990, the State DEP placed the Town under an enforcement action for overboard discharges requiring the Town to replace sewer lines combined with storm water and to upgrade the plant or pipe Thomaston's wastewater to Rockland. The Town embarked on a major project to replace the sewer lines and established a clean water drain with the old system. A new land application of spray fields and a facility was constructed off Booker Street, removing the plant from the harbor altogether.

The Town has expended through eight loans and seven grants, including the current 2015-2016 Route 1 project, \$17,367,197 for sewer and a clean water drain system since 1989. Of this amount, the Town received \$6,772,063 in grants and borrowed \$10,595,133, of which the current loan balance is \$4,408,784. This is funded through sewer user fees and \$144,072 annually from the Dragon Products TIF and Credit Enhancement Agreement. The Pollution Control Department is separately funded through an enterprise fund with sewer user fees and taxes. The fees have been increased three times since 1991, and the Municipal Budget funds \$50,000 annually. Note the Town refinanced the East End Sewer Project, T.I.F. funded and reduced the payment to \$108,263 per year from \$144,072 with a lower interest rate of 1.375%.

The Town of Thomaston maintains a Capital Reserve Account for the purpose of replacing and acquiring new assets to be used for providing public service. In the table listed below are the balances the Town has established for asset replacement.

**Capital Reserves June 30, 2016: with interest 10/31/2016**

Salt shed	\$ 820
Capital improvement	57,120
Ambulance	116,987
Fire engine	76,110
Recreation	8,197
Skateboard park	4,599
Academy building	15,118
Dump truck	20,017
Sidewalk	833
Drainage	7,064
Backhoe	497
Computer	61,169
Watts Hall voting	108
Municipal facilities	<u>150,236</u>
Total	\$ 518,875

**TOWN OF THOMASTON, MAINE**  
**Management's Discussion and Analysis, Continued**

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

Paving	\$ 92,219
Police cruisers (2)	15,652
Fire equipment (SCBA)	2,262
Protective clothing	7,000
Sidewalks	14,410
Computer upgrade	<u>2,020</u>
Total	\$ 133,563

Additional information on the Town of Thomaston's capital outlay can be found on Exhibit A-2.

**Long-term debt.** At the end of the current fiscal year, the Town of Thomaston had total bonded debt outstanding of \$5,049,772. Of this amount, \$4,736,782 is Pollution Control, \$205,503 is the Thomaston Green general obligation bond and \$107,487 is the remaining principal on the fire apparatus.

State statutes limit the amount of general obligation debt a municipality may issue to 15 percent of its total state assessed valuation. The current debt limitation for the Town of Thomaston is \$53,745,000, which is significantly in excess of the Town of Thomaston's outstanding general obligation debt of \$5,049,772 or 9.4% of the 15% allowed.

Additional information on the Town of Thomaston's long-term debt can be found on pages 40-41 of the Notes to the Financial Statements.

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

The Municipal, Education, and County Budget for 2016-2017 is a total of 57,470,745; up \$185,932 from the current audit period of \$7,284,813. The mil rate increased for 2016-2017 from 18.03 to 18.68 per \$1,000 of value. This increase is due to \$113,200 for RSU #13, \$37,098 for Municipal and \$35,634 for Knox County.

The capital reserves are budgeted at \$157,000, the same as last year. The paving budget was increased from \$90,000 to \$100,000 and the same \$30,000 for sidewalks is budgeted which the Town currently has \$163,605 in an assigned fund balance. The total funding is in place for the voter approved 20% match for the \$500,000 plus sidewalk that is being installed on the south side of Route 1, from Wadsworth Street to Fish Street, as planned in the Route 1 project. Also proposed is the purchase of a two and half ton dump truck at \$190,000 from reserves and assigned fund balance to replace a 2000 truck for Public Works.

In the capital reserve budget is \$25,000, bringing the total ambulance reserves to \$167,000, and to utilize \$15,000 from the T.I.F. which will allow the Town to replace the 2007 ambulance this year, at an estimate of \$175,000.

The Town currently has \$518,875 in reserves for capital expenses. A review of capital expenditures for the past eleven years totals \$ 4,023,361 or an average of \$365,760 per year.

**TOWN OF THOMASTON, MAINE**  
**Management's Discussion and Analysis, Continued**

The Town continues to attempt to implement a capital plan to submit to the voters, however, the reality for me has been that it takes funds the Town has never had. When I started this position in 1993, the Fire Department had 50, 25 and 11 year-old pumpers and a 23 year-old ladder truck, along with a 25 year-old utility truck, and no reserve funds to speak of, and the Town was reducing the tax burden from surplus for the prior five years, 1989 to 1993; expending \$1,383,000 at an average of \$280,000 per year. It took five years to reduce the \$1,383,000 amount to \$0, as taxes would have spiked 3 mils and the rate was already 25+, during that time the total of \$2,023,000 was utilized between 1989 and 1998 (see attachment). Combined with that was the 1994 Dragon Products valuation appeal for millions, and the Town placed \$300,000 per year in reserves to ultimately settle in 1998 for \$835,000. Therefore, a total of \$2,858,000 was utilized in ten years while the Town attempted to maintain operations and capital investments.

The Town continues to monitor the economic impact resulting from legislative policy since at least 2008 as intergovernmental fiscal relationships between the State and Municipalities continue to shift in favor of the State Budget. This is the same State Budget that required a 20% reduction in every department for 20 years to balance in 2003 without reductions in Education or DHHS. The State chose Education and State Revenue Sharing, at least for Thomaston, as the taxpayers of Thomaston received \$950,158 less in 2014-2015 than the Town received in 2007-2008, which represents approximately 3 mils in taxes. The Legislature continues not to fund State Revenue Sharing as originally perceived for years.

The Town has maintained a relatively flat mil rate even with these impacts of reduced revenue from the State, due largely to economic development. The mil rate in 2007-2008 of \$15.80 has increased to \$18.68.

The fiscal capacity of the Town to meet financial obligations remains stable. Thomaston has \$2,295,802 in assigned and unassigned fund balance as of June 30, 2016, based on the audit, of which \$ 1,173,077 is unassigned fund balance, formerly known as surplus or undesignated, the remainder is assigned or reserve accounts. The Town has not borrowed a tax anticipation note since 2003.

This office monitors the excise tax revenues closely, and the following are:

2007-2008 was \$376,011.  
 2008-2009 was \$353,741.  
 2009-2010 was \$351,225.  
 2010-2011 was \$356,534, which was 1.51% increase.  
 2011-2012 was \$358,731, which was 0.61% increase  
 2012-2013 was \$363,221, which was 1.25% increase.  
 2013-2014 was \$393,664, which was 8.38% increase.  
 2014-2015 was \$419,745, which was 6.63% increase  
 2015-2016 is was \$ 442,755 was 5.48% increase.  
 2016-2017 thru Jan. \$272,507.

The heating cost and gallons used have been closely monitored. The average consumption in gallons for nine years for the Town's four facilities is as follows, with an average cost for the period of \$2.79 per gallon:

Watts Hall 6,145.84 gallons at \$16,736 average  
 Academy 3,419.00 gallons at \$9,408 average  
 Fire Dept. 4,117.00 gallons at \$11,310 average  
 Public Works 1,973.00 gallons at \$6,151 average

The Town locked the price for heating fuel 2016-2017 at \$1.495.

**TOWN OF THOMASTON, MAINE**  
**Management's Discussion and Analysis, Continued**

The Municipal, Education, and County Budgets for 2016-2017 were a total of \$7,470,745, up \$185,932 from the current audit period of \$ 7,284,813. The mil rate increased for 2016-2017 from \$18.03 to \$18.68 per \$1,000 of value. This increase is due primarily to the increases for Education and Knox County.

The Town is still adjusting to the reduction in State Revenue Sharing. In 2007-2008, the Town received \$441,380. For 2017-2018, the estimate is \$138,917, for this period, which still represents approximately 3/4 mil increase. It is not logical to believe that sales taxes have stayed this low since 2007, as the Legislature increased sales tax to 5.5% and sales continue to rise.

<u>State Revenue Sharing:</u>	
2016-2017	\$152,755
2015-2016	140,939
2014-2015	143,778
2013-2014	140,000
2012-2013	229,294
2011-2012	284,954
2010-2011	264,495
2009-2010	377,027
2008-2009	450,000
2007-2008	441,380
2006-2007	413,560

Year	Thomaston Appropriation without Education Revenue Increase from EPS	% Increase	Total RSU #13
2008-2009	\$2,891,520		
2009-2010	\$3,004,355	3.9%	\$28,008,262 with six communities
2010-2011	\$3,081,598	2.6%	\$25,406,758
2011-2012	\$3,115,596	1.1%	\$25,948,205
2012-2013	\$3,241,524	4 %	\$26,462,700
2013-2014	\$3,221,566	(6%)	\$27,103,983
2014-2015	\$3,389,803	5.2%	\$27,175,985
2015-2016	\$3,756,886	10.8%	\$25,240,635 with five communities
2016-2017	\$3,870,086	3%	\$26,150,000

In the year 2007-2008, the RSU #13 State Aid received under E.D. 279 attributable to Thomaston was \$1,850,917 and has been reduced to \$1,312,876 or \$538,041 less funding. RSU #13 communities have been impacted by reduced Education Aid. In 2007-2008, RSU #13 received \$5,668,676 in State Education Funding. The amount has been reduced to \$2,750,125 or 51.5%, a \$2,918,551 reduction through 2015-2016.

**TOWN OF THOMASTON, MAINE**  
**Management's Discussion and Analysis, Continued**

There also is a trend in State valuation reductions between 2010 and 2016 that has a direct correlation with the local education and county funding formula, as State valuation has plummeted for some communities, which, I believe, is the reduction in oceanfront properties primarily. The following outlines the changes:

Town	2016	2010	% Change	Valuation Change
Cushing	\$295,100,000	\$277,300,000	6.42%	\$17,800,000
Owls Head	\$362,600,000	\$395,450,000	(8.31%)	(\$32,850,000)
Rockland	\$765,100,000	\$814,800,000	(6.1%)	(\$49,700,000)
S. Thomaston	\$249,500,000	\$309,400,000	(19.36%)	(\$59,900,000)
Thomaston	\$358,300,000	\$324,550,000	10.4%	\$33,750,000

It is clear communities that receive little or no E.P.S. State Funding based on high value properties are not impacted the same under these economic conditions, as the voter-approved 55% of Education mandated funding is misinterpreted. There are numerous high-valued communities that receive no or little funding from the State and never have; therefore, are not impacted the same, setting up community versus community situations when it comes to local RSU #13 budget deliberations and approval. The impact of the revaluation in 2007-2008, along with economic development growth has helped to stabilize the mil rate even with the loss in State Aid to Education and State Revenue Sharing reductions of \$838,842.

The total tax for 2016-2017 was \$7,324,810 of which \$3,346,095, or 45.8% was taxed to twenty property owners; ten of these are in the East Thomaston Economic Tract.

A comparison of funding contributions, including cost and State Education Funding respective to each of the communities for 2013-2014 based on the total 2,083 student enrollment, not by the respective community's enrollment, was as follows:

	2007-2008	2013-2014	2014-2015
Cushing	\$ 242,472	105,481	143
Rockland	2,992,558	1,913,863	1,605,530
So. Thomaston	582,729	-	-
Thomaston	<u>1,850,917</u>	<u>1,198,361</u>	<u>1,312,878</u>
Total State Aid to Ed. under EPS Formula	\$ 5,668,676	3,217,705	2,918,551

**Knox County Budget**

The increase was 10.8% for Thomaston for 2016, as the state initiated sending back to tax payers the increase in the jail budget from 2008 of \$95,661. The jail budget was capped in 2008 at \$3,188,700, the State has funded increases since. How much remains is unclear; it depends on the Legislature. The County has had the privilege of increasing the other half of the net budget typical of last year.

The Knox County Budget was \$301,949 without Dispatch in 2014-2015. The Budget increased to \$322,776 for 2015-2016, and will be \$357,717 for 2016-2017. This represents a 10.80% increase.

**TOWN OF THOMASTON, MAINE**  
**Management's Discussion and Analysis, Continued**

The other unknown factor; the jail budget, was frozen at \$3,188,700 at County level since 2008 while the State approved and paid for increases to the jail budget, which allowed the other half of the county budget to increase by percentage faster as it seemed not to be recognized. In 2016, the State changed the budget process and pushed the increase of \$95,661 back to the County level.

Example: the net commitment of \$6,864,652 for 2015

Less jail frozen for 7 <sup>th</sup> year -	\$ 3,188,700
Net remainder	\$ 3,675,952

Net commitment of	- \$ 7,280,812 for 2016
Less jail	<u>3,284,361</u>
Net remainder	\$ 3,996,451

This shows the jail increase of 3% or \$95,661 and an 8.72% increase for the remainder of the County. However, for years the two numbers were combined to show an increase half of what was occurring.

**Impact on the Mil Rate**

The impact of the revaluation in 2007-2008, along with economic development growth, has stabilized the mil rate even with the loss in State Aid to Education and State Revenue Sharing. The mil rate has maintained a stable rate for the prior eight years, from a low of \$14.95 to a high of \$16.80, however, after the spike in 15/16 to \$18.03 it continues to increase for 16/17 with an increase of \$ 113,260 which is education, \$35,634 which is county, and \$37,093 which is municipal. Over the last two years, the total commitment increased 11% with municipal at 6%, Knox County at 15% and R.S.U. #13 at 14%.

Thomaston's mil rate:

06/07	\$ 20.10
07/08	15.80
08/09	14.95
09/10	15.48
10/11	15.77
11/12	15.98
12/13	16.80
13/14	16.74
14/15	16.64
15/16	18.03
16/17	18.68

The tax commitment for 2016-2017 totaled \$7,324,810, and of this amount, \$3,346,095 was taxed to 20 property owners. This represents 45.8% of the total taxes collected.

Dragon Products TIF

The Town of Thomaston's major economic development tool over the past eleven years has been the benefits from the Dragon Products Tax Increment Finance District (T.I.F.)

The State of Maine Department of Economic and Community Development sheltering of the increased valuation has generated \$11,426,254 of additional revenue from 2004-2005 through the 2015-2016 commitment without considering an annual estimated \$336,063 or \$4,368,819 reduction without the shelter. The Credit Enhancement Agreement approved by the voters attempted to generate a neutral benefit to the company and the Town. The company's share was \$5,593,212 and the Town's share was \$5,833,042. Of this amount, \$1,152,460 was utilized in the General Fund to reduce taxes, \$1,517,958 for the T.I.F. district wastewater capitalization, the purchase of two fire apparatus and a cascade system. \$1,732,861 was utilized to capitalize the wastewater system from Buttermilk Lane to the Rockland town line. This new wastewater system has allowed for a new economic center to be established in the east side of Thomaston that is estimated to create \$100,000,000 plus in new valuation in ten years from its inception.

The Town will need to continue structured payments of the wastewater system long-term debt of \$108,263 through 2035. The Town will have one additional payments on the \$575,000 Fire Apparatus of \$53,692 on the 2012 loan, refinanced at 1.375% to pay off the original 29-year Rural Development Loan.

The T.I.F. was approved in 2002 for twenty years, therefore it will cease in the 2021/2022 budget year, estimated at approximately \$44,000,000 with personal property depreciation, which will generate approximately \$793,000 for the General Fund annually at the current mil rate. Recognizing the valuation increase will negatively impact Education Funding, State Revenue Sharing and increased county cost.

Downtown TIF

The 2016-2017 tax commitment for the Downtown T.I.F. District had a valuation totaling \$1,532,070 at a mil rate of 18.68. It allowed for \$28,619 in new tax revenue, at 70% and \$20,033 for public improvements under the voter-approved program to fund the new \$250,000 Thomaston Green Bond.

Town Economic Development Goals

The Town has three specific categories approved by the Board of Selectmen for goals annually:

1. Stimulate Economic Growth
2. Strengthen the Community Core
3. Strengthen Municipal Services

Audit Findings of Significant Deficiencies

The Town has implemented Auditor Casey Leonard's recommendations to mitigate the segregation of duties by instituting a change to the Enterprise Pollution Control Fund and combining it with the General Fund. Long-term ideally the Town will have the new position of Municipal Finance Coordinator duties changed to handling only those areas of finance that allow for further segregation, which also would allow for the time to complete the financials internally, prior to the audit

Requests for Information

This financial report is designed to provide a general overview of the Town of Thomaston's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Manager, 170 Main Street, Thomaston, Maine 04861.

Statement 1

TOWN OF THOMASTON, MAINE  
Statement of Net Position  
June 30, 2016

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 46,373	327,496	373,869
Investments	5,844,228	-	5,844,228
Receivables:			
Taxes	610,447	-	610,447
Tax liens	139,341	-	139,341
Accounts	127,398	130,832	258,230
Loans	15,358	-	15,358
Internal balances	(33,053)	33,053	-
Capital assets not being depreciated	324,800	1,876,680	2,201,480
Capital assets being depreciated, net	5,502,508	9,150,523	14,653,031
<b>Total assets</b>	<b>12,577,400</b>	<b>11,518,584</b>	<b>24,095,984</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pensions	102,068	-	102,068
<b>Total deferred outflows of resources</b>	<b>102,068</b>	<b>-</b>	<b>102,068</b>
<b>LIABILITIES</b>			
Accounts payable and payroll withholdings	89,934	19,421	109,355
Taxes collected in advance	7,883	-	7,883
Accrued compensated absences	111,967	-	111,967
Accrued interest	-	14,940	14,940
Noncurrent liabilities:			
Due within one year	68,271	322,111	390,382
Due in more than one year	625,804	4,414,671	5,040,475
<b>Total liabilities</b>	<b>903,859</b>	<b>4,771,143</b>	<b>5,675,002</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions	62,349	-	62,349
<b>Total deferred inflows of resources</b>	<b>62,349</b>	<b>-</b>	<b>62,349</b>
<b>NET POSITION</b>			
Net investment in capital assets	5,514,318	6,290,421	11,804,739
Restricted	3,574,986	-	3,574,986
Unrestricted	2,623,956	457,020	3,080,976
<b>Total net position</b>	<b>\$ 11,713,260</b>	<b>6,747,441</b>	<b>18,460,701</b>

See accompanying notes to basic financial statements.

Statement 2

TOWN OF THOMASTON, MAINE  
Statement of Activities  
For the year ended June 30, 2016

Functions/programs	Expenses	Program Revenues			Net (expense) revenue and changes in net position		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government		Total
					Governmental activities	Business-type activities	
<b>Primary government:</b>							
<b>Governmental activities:</b>							
General government	\$ 572,643	225,631	-	-	(347,012)	-	(347,012)
Municipal buildings	78,392	41,945	-	-	(36,444)	-	(36,444)
Public safety	700,362	-	-	-	(700,362)	-	(700,362)
Public works	715,596	7,654	101,581	24,684	(582,077)	-	(582,077)
Health and welfare	484,141	134,507	-	-	(349,634)	-	(349,634)
Education	3,756,886	-	-	-	(3,756,886)	-	(3,756,886)
County assessment	395,311	-	-	-	(395,311)	-	(395,311)
Recreation and leisure	78,518	-	-	-	(78,518)	-	(78,518)
Local agencies	16,256	-	-	-	(16,256)	-	(16,256)
Employee benefits	487,769	-	-	-	(487,769)	-	(487,769)
Library	127,214	1,777	-	-	(125,437)	-	(125,437)
Cemetery	51,868	21,475	-	-	(30,393)	-	(30,393)
Credit enhancement - tax increment financing	618,076	-	618,076	-	-	-	-
Unclassified	60,067	-	-	-	(60,067)	-	(60,067)
Capital maintenance	51,820	-	-	17,808	(34,012)	-	(34,012)
<b>Total governmental activities</b>	<b>8,175,265</b>	<b>432,990</b>	<b>719,657</b>	<b>42,492</b>	<b>(6,980,126)</b>	<b>-</b>	<b>(6,980,126)</b>
<b>Business-type activities:</b>							
Pollution control	309,820	440,024	-	187,928	-	(281,868)	(281,868)
Total business-type activities	309,820	440,024	-	187,928	-	(281,868)	(281,868)
<b>Total primary government</b>	<b>\$ 8,085,085</b>	<b>873,014</b>	<b>719,657</b>	<b>280,420</b>	<b>(6,980,126)</b>	<b>(281,868)</b>	<b>(7,261,994)</b>
<b>General revenues:</b>							
Property taxes					\$ 6,513,969	-	6,513,969
Excise taxes					453,268	-	453,268
Cable TV franchise fee					19,290	-	19,290
<b>Grants and contributions not restricted to specific programs:</b>							
State revenue sharing					152,755	-	152,755
Homestead exemption					58,208	-	58,208
Other					87,751	-	87,751
Investment income					36,698	548	37,046
Unclassified					128,681	-	128,681
MacPERS reimbursement					364,596	-	364,596
Loss on disposal of assets					(8,336)	-	(8,336)
Transfers					(156,807)	156,807	-
<b>Total general revenues, losses and transfers</b>					<b>7,669,518</b>	<b>157,011</b>	<b>7,826,529</b>
<b>Change in net position</b>							
					689,192	(124,857)	564,335
<b>Net position - beginning</b>					<b>11,624,068</b>	<b>6,872,298</b>	<b>17,896,366</b>
<b>Net position - ending</b>					<b>\$ 12,313,260</b>	<b>6,747,441</b>	<b>18,460,701</b>

See accompanying notes to basic financial statements.



TOWN OF THOMASTON, MAINE  
Balance Sheet  
Governmental Funds  
June 30, 2016

	General Fund	TIF Fund	Non-TIF Economic Development	Library Operating Fund	All Other Governmental Funds	Totals
<b>ASSETS</b>						
Cash and cash equivalents	\$ 21,947	-	-	11,513	12,913	46,373
Investments	4,010,195	-	-	1,018,253	815,780	5,844,228
Receivables						
Taxes	610,447	-	-	-	-	610,447
Tax liens	189,341	-	-	-	-	189,341
Accounts	127,398	-	-	-	-	127,398
Loans	-	-	-	-	15,358	15,358
Interfund receivables	-	532,650	1,010,333	-	152,538	1,695,521
<b>Total assets</b>	<b>\$ 4,909,328</b>	<b>532,650</b>	<b>1,010,333</b>	<b>1,029,766</b>	<b>996,589</b>	<b>8,478,666</b>
<b>LIABILITIES</b>						
Accounts payable and accrued expenses	89,581	-	-	353	-	89,934
Taxes collected in advance	7,883	-	-	-	-	7,883
Interfund payables	1,728,574	-	-	-	-	1,728,574
<b>Total liabilities</b>	<b>1,826,038</b>	<b>-</b>	<b>-</b>	<b>353</b>	<b>-</b>	<b>1,826,691</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - property taxes	468,000	-	-	-	-	468,000
<b>Total deferred inflows of resources</b>	<b>468,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>468,000</b>
<b>FUND BALANCES</b>						
Nonspendable	-	-	-	66,809	274,976	341,585
Restricted	-	518,651	1,010,333	962,804	721,613	3,213,401
Committed	319,488	-	-	-	-	319,488
Assigned	1,122,725	-	-	-	-	1,122,725
Unassigned	1,173,077	(6,001)	-	-	-	1,167,076
<b>Total fund balances</b>	<b>2,615,290</b>	<b>512,650</b>	<b>1,010,333</b>	<b>1,029,413</b>	<b>996,589</b>	<b>6,184,275</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 4,909,328</b>	<b>532,650</b>	<b>1,010,333</b>	<b>1,029,766</b>	<b>996,589</b>	

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. 5,827,308
- Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds. 468,000
- Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:
  - Accrued compensated absences (111,967)
  - Net pension liability, including related deferred inflows and outflows of resources (141,364)
  - Bonds payable (512,090)

**Net position of governmental activities** \$ 11,713,260

See accompanying notes to basic financial statements.

TOWN OF THOMASTON, MAINE  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the year ended June 30, 2016

	General Fund	TIF Fund	Non-TIF Economic Development Fund	Library Operating Fund	All Other Governmental Funds	Totals
<b>Revenues</b>						
Taxes	\$ 6,937,225	790,170	-	-	-	7,727,395
Licenses, permits and fees	42,265	-	-	-	-	42,265
Intergovernmental	381,083	-	-	-	-	381,083
Charges for services	142,161	-	201,251	1,714	21,538	366,664
Investment income	1,065	410	835	19,161	15,227	36,698
Other revenues	524,527	-	2,000	17,467	15,362	559,356
<b>Total revenues</b>	<b>8,028,326</b>	<b>790,580</b>	<b>204,086</b>	<b>38,137</b>	<b>52,127</b>	<b>9,113,456</b>
<b>Expenditures</b>						
<b>Current</b>						
General government	458,453	-	-	-	-	458,453
Municipal buildings	78,390	-	-	-	-	78,390
Public safety	596,215	-	-	-	-	596,215
Public works	441,270	-	-	-	-	441,270
Health and welfare	464,141	-	-	-	-	464,141
Education	3,756,886	-	-	-	-	3,756,886
County assessment	395,311	-	-	-	-	395,311
Recreation and leisure	71,707	-	-	-	-	71,707
Local agencies	16,256	-	-	-	-	16,256
Employee benefits	487,769	-	-	-	-	487,769
Library	-	-	-	98,290	21,416	119,706
Cemetery	-	-	-	-	51,806	51,806
Credit enhancement - tax increment financing	-	618,076	-	-	-	618,076
Unclassified	73,274	-	-	-	-	73,274
Debt service	-	53,693	-	-	-	53,693
Capital outlays	180,846	18,637	43,359	-	-	242,842
<b>Total expenditures</b>	<b>7,020,518</b>	<b>690,406</b>	<b>43,359</b>	<b>98,290</b>	<b>73,222</b>	<b>7,925,795</b>
Excess (deficiency) of revenues over (under) expenditures	1,007,808	100,174	160,727	(59,953)	(21,095)	1,187,661
<b>Other financing sources (uses)</b>						
Transfers in (out)	(134,410)	(62,383)	(44,280)	65,410	19,000	(156,663)
<b>Total other financing sources (uses)</b>	<b>(134,410)</b>	<b>(62,383)</b>	<b>(44,280)</b>	<b>65,410</b>	<b>19,000</b>	<b>(156,663)</b>
<b>Net change in fund balances</b>	<b>873,398</b>	<b>37,791</b>	<b>116,447</b>	<b>5,457</b>	<b>(2,095)</b>	<b>1,030,998</b>
<b>Fund balances, beginning of year</b>	<b>1,741,892</b>	<b>494,859</b>	<b>893,886</b>	<b>1,029,956</b>	<b>998,684</b>	<b>5,159,275</b>
<b>Fund balances, end of year</b>	<b>\$ 2,615,290</b>	<b>532,650</b>	<b>1,010,333</b>	<b>1,029,413</b>	<b>996,589</b>	<b>6,184,275</b>

See accompanying notes to basic financial statements.

Statement 5

TOWN OF THOMASTON, MAINE  
 Reconciliation of the Statement of Revenues, Expenditures  
 and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the year ended June 30, 2016

Net change in fund balances - total governmental funds (from Statement 4)	\$	1,030,998
Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$453,664) and loss on disposal of assets (\$8,336) exceeded capital outlays (\$191,022) in the current period.		(270,978)
Revenues in the governmental funds that are not reported in the statement of activities, this is the change in unavailable property tax revenue		(84,000)
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. This is the amount by which the increase in the net pension liability with related deferred inflows and outflows (\$59,337) exceeded the decrease in accrued compensated absences (\$5,609).		(53,728)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This represents the principal repayments.		66,900
<b>Change in net position of governmental activities (see Statement 2)</b>	<b>\$</b>	<b>689,192</b>

See accompanying notes to basic financial statements.

Statement 6

TOWN OF THOMASTON, MAINE  
 Statement of Revenues, Expenditures and Changes in Fund Balance-  
 Budget and Actual-General Fund  
 For the year ended June 30, 2016

	Budget		Actual	Variance with final budget positive (negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 6,809,258	6,809,258	6,937,225	127,967
Licenses, permits and fees	27,370	22,370	42,265	19,895
Intergovernmental	353,897	353,897	381,083	27,186
Charges for services	38,750	38,750	142,161	103,411
Investment income	700	700	1,065	365
Other revenues	72,780	72,780	524,527	451,747
<b>Total revenues</b>	<b>7,297,755</b>	<b>7,297,755</b>	<b>8,028,326</b>	<b>730,571</b>
<b>Expenditures:</b>				
Current:				
General government	426,966	426,966	458,453	(31,487)
Municipal buildings	93,947	93,947	78,390	15,557
Public safety	622,482	622,482	596,215	26,267
Public works	477,213	477,213	441,270	35,943
Health and welfare	374,446	374,446	464,141	(89,695)
Education	3,756,886	3,756,886	3,756,886	-
Intergovernmental - county tax	395,311	395,311	395,311	-
Recreation and leisure	86,069	86,069	71,707	14,362
Local agencies	20,233	20,233	16,256	3,977
Employee benefits	470,982	470,982	487,769	(16,787)
Unclassified	80,367	80,367	73,274	7,093
Capital outlays	368,443	368,443	180,846	187,597
<b>Total expenditures</b>	<b>7,173,345</b>	<b>7,173,345</b>	<b>7,020,518</b>	<b>152,827</b>
<b>Excess of revenues over expenditures</b>	<b>124,410</b>	<b>124,410</b>	<b>1,007,808</b>	<b>883,398</b>
<b>Other financing sources uses:</b>				
Transfers out	(84,410)	(84,410)	(134,410)	(50,000)
Use of fund balance	(40,000)	(40,000)	-	40,000
<b>Total other financing uses</b>	<b>(124,410)</b>	<b>(124,410)</b>	<b>(134,410)</b>	<b>(10,000)</b>
<b>Net change in fund balance</b>			<b>873,398</b>	<b>873,398</b>
<b>Fund balance, beginning of year</b>			<b>1,741,897</b>	
<b>Fund balance, end of year</b>	<b>\$</b>		<b>2,615,290</b>	

See accompanying notes to basic financial statements.

## Statement 7

TOWN OF THOMASTON, MAINE  
Statement of Net Position  
Proprietary Fund  
June 30, 2016

Business-type Activities - Enterprise Fund		Pollution Control
<b>ASSETS</b>		
Cash and cash equivalents	\$	327,496
Accounts receivable		130,832
Interfund receivable		33,053
Total current assets		491,381
Noncurrent assets:		
Pollution control capital assets, net of accumulated depreciation		11,027,203
Net noncurrent assets		11,027,203
Total assets	\$	11,518,584
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable		19,421
Accrued interest		14,940
Current portion of long-term debt		322,111
Total current liabilities		356,472
Long-term liabilities:		
Bonds payable		4,414,671
Total long-term liabilities		4,414,671
Total liabilities		4,771,143
<b>NET POSITION</b>		
Net investment in capital assets		6,290,421
Unrestricted		457,020
Total net position	\$	6,747,441

*See accompanying notes to basic financial statements.*

## Statement 8

TOWN OF THOMASTON, MAINE  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Fund  
For the year ended June 30, 2016

Business-type Activities - Enterprise Fund		Pollution Control
Operating revenues:		
Charges for services	\$	437,879
Other income		2,145
Total operating revenues		440,024
Operating expenses:		
Salaries and benefits		138,973
Utilities		74,165
Administration		26,139
Maintenance		14,372
Miscellaneous		15,183
Lab operations		3,201
Transportation		2,314
Town forest		1,771
Insurance		14,048
Sewer line connections and inspection		6,815
Depreciation		577,258
Total operating expenses		874,239
Operating loss		(434,215)
Nonoperating revenues (expenses):		
Investment income		348
Interest expense		(35,581)
Total nonoperating revenues (expenses)		(35,233)
Loss before capital contributions and transfers		(469,448)
Capital contributions		187,928
Transfers:		
Transfer in from General Fund		50,000
Transfer in from TIF and non-TIF funds		106,663
Total transfers		156,663
Change in net position		(124,857)
Net position, beginning of year		6,872,298
Net position, end of year	\$	6,747,441

*See accompanying notes to basic financial statements.*

TOWN OF THOMASTON, MAINE  
Statement of Cash Flows  
Proprietary Fund  
For the year ended June 30, 2016

Business-type Activities - Enterprise Fund		Pollution Control
Cash flows from operating activities:		
Receipts from customers and users	\$	587,012
Payments to suppliers		(329,244)
Payments to employees		(138,973)
Net cash provided by operating activities		118,795
Cash flows from investing activities:		
Investment income received		348
Net cash provided by investing activities		348
Cash flows from noncapital financing activities:		
Interfund transactions		191,878
Net cash provided by noncapital financing activities		191,878
Cash flows from capital and related financing activities:		
Capital contributions		187,928
Proceeds from bonds		1,000,000
Principal paid on bond maturities		(292,112)
Interest paid on bonds		(68,410)
Payment on short term financing		(713,701)
Acquisition of capital assets		(489,641)
Net cash used in capital and related financing activities		(375,936)
Net decrease in cash		(64,915)
Cash and cash equivalents, beginning of year		392,411
Cash and cash equivalents, end of year	\$	327,496
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss		(434,215)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation		577,258
Decrease in receivables		146,988
Decrease in payables		(171,236)
Net cash provided by operating activities	\$	118,795

*See accompanying notes to basic financial statements.*

TOWN OF THOMASTON, MAINE  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2016

	Private-purpose Trust Funds	Agency Funds 4th of July
<b>ASSETS</b>		
Cash and cash equivalents	\$ 170,910	48,575
Investments	724,789	-
<b>Total assets</b>	<b>895,699</b>	<b>48,575</b>
<b>LIABILITIES</b>		
Amounts held for others		48,575
<b>Total liabilities</b>		<b>48,575</b>
<b>NET POSITION</b>		
Held in trust for other purposes	895,699	-
<b>Total net position</b>	<b>\$ 895,699</b>	<b>-</b>

*See accompanying notes to basic financial statements.*

TOWN OF THOMASTON, MAINE  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
For the year ended June 30, 2016

	Private- purpose Trust Funds
<b>Additions:</b>	
Investment income:	
Interest	\$ 20,514
Net investment losses	(6,175)
<b>Total additions</b>	<b>14,339</b>
<b>Deductions:</b>	
Charity	10,797
<b>Total deductions</b>	<b>10,797</b>
<b>Change in net position</b>	<b>3,542</b>
<b>Net position, beginning of year</b>	<b>892,157</b>
<b>Net position, end of year</b>	<b>\$ 895,699</b>

*See accompanying notes to basic financial statements.*

TOWN OF THOMASTON, MAINE  
Notes to Basic Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Thomaston, Maine is located in Knox County. It was incorporated in 1777 and operates under a Town Manager-Board of Selectmen form of government.

The financial statements of the Town of Thomaston, Maine have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

**A. Reporting Entity**

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

**Joint Ventures**

The Town has entered into a joint venture with three other entities. This joint venture is considered to be a separate reporting entity and has not been included within the Town's financial statements. This joint venture is as follows:

Owls Head, South Thomaston, Thomaston Solid Waste Corp. - This entity operates a transfer facility for solid waste. The following communities are participants: Thomaston, Owls Head, and South Thomaston. Maine State Prison is also a participating member. The budget is prepared annually by the Owls Head, South Thomaston, Thomaston Solid Waste Corp. Manager. Costs are allocated between parties as follows:

Thomaston	44%
Owls Head	24%
South Thomaston	21%
Maine State Prison	11%

Financial information for this entity as of December 31, 2015 (latest available) and for the year then ended was reported as follows for all governmental funds:

Assets	\$ 246,551	Total revenues	\$ 634,887
Liabilities	43,483	Total expenditures	632,525
<b>Net position</b>	<b>\$ 203,068</b>		

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Town has elected not to allocate indirect costs among the programs, functions, and segments. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

However, debt service expenditures, as well as certain compensated absences and claims and judgments, are recorded only when the payment is due. Those revenues susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the Town and are recognized as revenue at that time.

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

The Town reports the following major governmental funds:

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

The **TIF Fund** is a special revenue fund that accounts for property taxes dedicated under an approved credit enhancement agreement for specific uses.

The **Non-TIF Economic Development Fund** is a special revenue fund used to account for various economic development projects and initiatives.

The **Library Operating Fund** is a permanent fund that accounts for the operations of the Town's public library.

The Town reports the following major proprietary fund:

The **Pollution Control Fund** accounts for the operation of a pollution control system.

Additionally, the Town reports the following fund type:

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

Private-purpose trust funds are used to report the activity of bequests left for charitable payments and for scholarship awards. These assets are held by the Town in a trustee capacity, whereby the original bequest is preserved as nonexpendable and the accumulated interest earnings are available to provide for educational awards.

Agency funds account for assets held by the Town as an agent for individuals, private organizations, other governments, and/or funds. The Town serves as an agent for the Fourth of July funds.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

D. Cash, Cash Equivalents, and Investments

Cash and cash equivalents include amounts in demand deposits as well as time deposits and certificates of deposits acquired by the Town. State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements. Investments are carried at fair value. For purposes of the statement of cash flows, all highly liquid investments are considered to be cash equivalents.

E. Short-term Interfund Receivables/Payables

During the year, loans may occur between individual funds for cash flow purposes. These receivables and payables are classified as "interfund receivables or payables" on the balance sheet.

F. Capital Assets

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

The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. If material, interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the assets' estimated useful lives ranging from 5 to 50 years as follows:

Assets	Years
Buildings	40
Roads	40
Machinery and equipment	5-15
Pump stations	35-50
Sewer facility and lines	30-50
Vehicles	10-25

For all capital assets: buildings, vehicles, equipment, infrastructure and sewer related assets, the Town elects to use the depreciation approach as defined by GASB Statement No. 34 for reporting.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

G. Long-term Obligations

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

H. Deferred Inflows and Outflows of Resources

In addition to assets and liabilities, the statement of net position and balance sheet will sometimes report separate sections for deferred outflows of resources and deferred inflows of resources. These separate financial statement elements, deferred outflows of resources and deferred inflows of resources, represent a consumption or acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) or inflow of resources (revenue) until that time. The governmental funds only report a deferred inflow of resources, unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The governmental activities have deferred outflows and inflows that relate to the net pension liability, which include the Town's contributions subsequent to the measurement date, which is recognized as a reduction of the net pension liability in the subsequent year. They also include changes in assumptions, differences between expected and actual experience, and changes in proportion and differences between Town contributions and proportionate share of contributions, which are deferred and amortized over the average expected remaining service lives of active and inactive members in the plan. They also include the net difference between projected and actual earnings on pension plan investments, which are deferred and amortized over a five-year period.

I. Fund Equity

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

- *Nonspendable* – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.
- *Restricted* – resources with constraints placed on the use of resources which are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or; b) imposed by law through constitutional provisions or enabling legislation.
- *Committed* – resources which are subject to limitations the government imposes on itself at its highest level of decision making authority, and that remain binding unless removed in the same manner.
- *Assigned* – resources that are constrained by the government's intent to be used for a specific purpose, but are neither restricted nor committed.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

- *Unassigned* – resources which have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

The voters have the responsibility for committing fund balance amounts and likewise would be required to modify or rescind those commitments. For assigned fund balance, management determines amounts to be carried forward for uncompleted projects authorized by the voters at Town Meeting for specific purposes in the General Fund at year end based on department requests.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, and unassigned resources are available for use, it is the government's policy to use committed or assigned resources first, and then unassigned resources as they are needed.

The General Fund unassigned fund balance total of \$1,173,077 represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund.

**J. Interfund Transactions**

Quasi-external transactions are accounted for as revenues or expenditures/expenses. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

**K. Comparative Data**

Comparative total data for the prior period have been presented in the accompanying financial statements in order to provide an understanding of changes in the Town's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

**L. Accrued Compensated Absences**

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Upon retirement, employees shall be compensated for up to 45 days of accumulated sick time at the daily rate at the time of retirement. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. Accrued compensated absences amounted to \$111,967 at June 30, 2016 and \$117,576 at June 30, 2015. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

**M. Pensions**

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

**N. Use of Estimates**

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

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

**Budget**

The Town utilizes a formal budgetary accounting system to control revenues and expenditures accounted for in the General Fund. This budget is established in accordance with the various laws of the State of Maine, which governs the Town's operations. The budget has been prepared consistent with the modified accrual basis of accounting.

The level of control (level at which expenditures may not exceed budget) is the Town meeting warrant article level, however, the Selectmen have been given authorization (by Town meeting vote) to move up to 10% of the unexpended balances from various line items as needed to provide for the smooth transition of Town business.

All unexpended appropriations lapse at year end unless specific approval is granted at a Town meeting to carry such amounts forward.

**Excess of Expenditures over Appropriations**

For the year ended June 30, 2016, expenditures exceeded appropriations for the following:

Selectmen	\$ 32,004	Employee benefits	\$ 16,787
Finance	5,546	Ambulance billing	6,755
Administration	248	Tidelands coalition	1,500
Contingency	510		
Assessor	10,431		
Ambulance	91,253		
Transfer station	6,620		

Some of these over expenditures were offset with revenues and lapsed to fund balance.



**TOWN OF THOMASTON, MAINE**  
Notes to Basic Financial Statements, Continued

**TOWN OF THOMASTON, MAINE**  
Notes to Basic Financial Statements, Continued

**DEPOSITS AND INVESTMENTS**

**A. Deposits**

*Custodial Credit Risk*-Town Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2016, the Town held deposits of \$593,354 with a bank balance of \$607,726. \$102,466 of the Town's bank balances were exposed to custodial credit risk (amounts on deposit exceeded F.D.I.C. limits per banking institution) due to the balance being uninsured and uncollateralized.

**B. Investments**

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

At June 30, 2016, the Town reported investments with the following maturities:

	Fair value	Less than 1 year	1-5 years	Over 5 years	Level 1 inputs
Fixed income securities	\$ 509,555	35,091	398,211	76,253	509,555
Equities/stock	1,574,167		not applicable		1,574,167
Repurchase agreements	4,010,195	4,010,195	-	-	4,010,195
Money markets/mutual funds (1)	475,100		not applicable		475,100
<b>Total investments</b>	<b>\$ 6,569,017</b>	<b>4,045,286</b>	<b>398,211</b>	<b>76,253</b>	<b>6,569,017</b>

(1) Mutual funds and money market funds are not considered securities and are exempt from risk disclosure noted above.

Deposits and investments have been reported as either cash and cash equivalents or investments as follows:

Reported in governmental funds	\$ 5,890,601
Reported in proprietary fund	327,496
Reported in fiduciary funds	944,274
<b>Total deposits and investments</b>	<b>\$ 7,162,371</b>
Disclosed as deposits (above)	\$ 593,354
Disclosed as investments (above)	6,569,017
<b>Total deposits and investments</b>	<b>\$ 7,162,371</b>

**DEPOSITS AND INVESTMENTS, CONTINUED**

*Interest Rate Risk*: The Town does not currently have a policy which limits the maturities of investments to certain time periods. However, it is the Town's general practice to deposit governmental and proprietary funds in short-term deposits. Excess governmental and proprietary funds on hand daily are swept by the banking institution into overnight repurchase agreements or indexed mutual funds. Only Library, Cemetery, and Charity funds are currently invested in longer term U.S. treasuries or equities (through a financial institution trust department).

*Credit Risk*: Maine statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and certain corporate stocks and bonds. As of June 30, 2016, the majority of the Town's investments are primarily in a repurchase agreement collateralized by U.S. treasuries. The Town's investments in corporate bonds (fixed income securities) were rated by Standard & Poor's as follows:

Anglogold Ashanti Holdings	\$ 41,689	BB+
Bectron Dickinson & Co	35,090	BBB+
Best Buy Inc	42,600	A-
Block Financial	25,752	BBB+
CBS Corp.	35,539	A
Citizens Bank	25,331	A-
Dana Holding Corp	25,638	BBB+
Dollar General Corp	36,336	A
LKQ Corp	34,388	A-
McDonalds Corp	25,577	A-
Mead Johnson	26,117	A-
Murphy Oil Corp	39,916	BBB
NuStar Logistics L.P.	38,800	BBB+
Rent a Center Inc	41,750	BBB-
Statoil ASA	35,032	AA

*Custodial Credit Risk*-Town's investments: For investments, custodial credit risk is the risk that, in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Town's \$4,010,195 investment in repurchase agreements, 100% was collateralized by underlying securities held by the related bank, which were not in the Town's name.

**PROPERTY TAX**

Property taxes for the period were committed on September 29, 2015 on the assessed value listed as of April 1, 2015 for all real and personal property located in the Town. Assessed values are periodically established by the Town's Assessor at 100% of assumed market value.

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 amounts raised in excess of 100% are referred to as overlay, and amounted to \$12,942 for the year ended June 30, 2016.

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

PROPERTY TAX, CONTINUED

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

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

The following summarizes the levy:

	Year ended June 30, 2016	Year ended June 30, 2015
Assessed value	\$ 396,446,345	398,497,742
Tax rate (per \$1,000)	18.03	16.64
Commitment	7,147,928	6,631,002
Supplemental taxes assessed	3,218	5,849
<b>Total levy</b>	<b>7,151,146</b>	<b>6,636,851</b>
Less:		
Abatements (current year only)	6,350	22,079
Collections	6,620,048	6,099,005
Current taxes receivable	524,748	515,767
Taxes receivable--prior years (excluding liens)	85,699	67,848
<b>Total taxes receivable - all years</b>	<b>\$ 610,447</b>	<b>583,615</b>
Due dates	December 2, 2015 June 1, 2016	December 4, 2014 June 4, 2015
Interest rate on delinquent taxes--current period	7.00%	7.00%
Collection rate--current period	92.7%	92.2%

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

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 324,800	-	-	324,800
Total capital assets not being depreciated	324,800	-	-	324,800
Capital assets, being depreciated:				
Land improvements	446,083	-	-	446,083
Buildings	188,411	-	-	188,411
Building improvements	2,289,964	-	-	2,289,964
Vehicles	1,861,691	25,320	23,818	1,863,193
Machinery and equipment	880,467	28,937	-	909,404
Infrastructure	6,864,862	136,765	-	7,001,627
Furniture and fixtures	74,298	-	-	74,298
Total capital assets being depreciated	12,605,776	191,022	23,818	12,772,980
Less accumulated depreciation for:				
Land improvements	220,088	8,592	-	228,680
Buildings	131,547	3,469	-	135,016
Building improvements	1,211,032	73,133	-	1,284,165
Vehicles	958,950	112,360	15,482	1,055,828
Machinery and equipment	638,491	50,337	-	688,828
Infrastructure	3,599,167	205,653	-	3,804,820
Furniture and fixtures	73,015	120	-	73,135
Total accumulated depreciation	6,832,290	453,664	15,482	7,270,472
Total capital assets being depreciated, net	5,773,486	(262,642)	(8,336)	5,502,508
<b>Governmental activities capital assets, net</b>	<b>\$ 6,098,286</b>	<b>(262,642)</b>	<b>(8,336)</b>	<b>5,827,308</b>

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

<b>Governmental activities:</b>	
General government	\$ 60,462
Public safety	104,147
Public works	274,726
Recreation and leisure	6,811
Library	7,518
<b>Total depreciation expense -- governmental activities</b>	<b>\$ 453,664</b>

**TOWN OF THOMASTON, MAINE**  
Notes to Basic Financial Statements, Continued

CAPITAL ASSETS, CONTINUED				
	Balance June 30, <u>2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2016</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 713,982	-	-	713,982
Construction in progress	673,057	489,641	-	1,162,698
Total capital assets not being depreciated	1,387,039	489,641	-	1,876,680
Capital assets, being depreciated:				
Vehicles	65,434	-	-	65,434
Machinery and equipment	109,905	-	-	109,905
Sewer lines	5,926,611	-	-	5,926,611
Sewer treatment facility	12,049,596	-	-	12,049,596
Pump station	767,327	-	-	767,327
Total capital assets being depreciated	18,918,873	-	-	18,918,873
Less accumulated depreciation for:				
Vehicles	33,216	4,480	-	37,696
Machinery and equipment	85,528	4,474	-	90,002
Sewer lines	1,328,452	125,862	-	1,454,314
Sewer treatment facility	7,499,283	405,915	-	7,905,198
Pump station	244,613	36,527	-	281,140
Total accumulated depreciation	9,191,092	577,258	-	9,768,350
Total capital assets being depreciated, net	9,727,781	(577,258)	-	9,150,523
<b>Business-type activities capital assets, net</b>	<b>\$ 11,114,820</b>	<b>(87,617)</b>	<b>-</b>	<b>11,027,203</b>

**TOWN OF THOMASTON, MAINE**  
Notes to Basic Financial Statements, Continued

LONG-TERM DEBT					
Long-term liability activity for the year ended June 30, 2016, was as follows:					
	Beginning balance	Additions	Reductions	Ending balance	Due within one year
<b>Governmental activities:</b>					
General obligation bonds	\$ 379,890	-	66,900	312,990	68,271
Net pension liability	188,778	192,307	-	381,085	-
Accrued compensated absences	117,576	-	5,609	111,967	-
<b>Governmental activities long-term liabilities</b>	<b>\$ 686,244</b>	<b>192,307</b>	<b>72,509</b>	<b>806,042</b>	<b>68,271</b>
<b>Business-type activities:</b>					
General obligation bonds	\$ 4,028,894	1,000,000	292,112	4,736,782	322,111
<b>Business-type activities long-term liabilities</b>	<b>\$ 4,028,894</b>	<b>1,000,000</b>	<b>292,112</b>	<b>4,736,782</b>	<b>322,111</b>
Bonds payable at June 30, 2016 are comprised of the following:					
	Issue date	Maturity date	Amount issued	Rate	Balance June 30, 2016
<b>Governmental activities:</b>					
General obligation bond (MM88)	5/24/12	11/1/2027	\$ 250,000	86-1.03%	205,503
General obligation bond (MM88)	10/25/12	11/1/17	260,000	.043-2.39%	107,487
<b>Total governmental activities</b>					<b>312,990</b>
<b>Business-type activities:</b>					
2003 GOB Sewer bond (MM88)	4/1/03	11/1/16	305,981	1.31%	22,863
2001 Wastewater bond (MM88)	6/25/01	4/1/21	2,528,500	2.37%	766,916
2012 Wastewater bond	11/7/12	11/7/40	1,099,000	2.75%	1,017,064
2015 Refunding bond	5/18/15	6/1/35	2,030,000	0.15%	1,929,939
2016 Wastewater bond	1/14/16	1/14/44	1,000,000	2.50%	1,000,000
<b>Total business-type activities</b>					<b>4,736,782</b>
<b>Total bonds payable</b>					<b>\$ 5,049,772</b>

**TOWN OF THOMASTON, MAINE**  
Notes to Basic Financial Statements, Continued

**LONG-TERM DEBT, CONTINUED**

The annual requirements to amortize all debt outstanding as of June 30, 2016 are as follows:

June 30,	Governmental activities			Business-type activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 68,271	7,187	75,458	322,111	79,389	401,500
2018	69,753	6,137	75,890	304,836	74,259	379,095
2019	15,630	5,217	20,847	310,576	69,099	379,675
2020	15,919	4,907	20,826	316,469	63,801	380,270
2021	16,250	4,552	20,802	322,518	58,363	380,881
2022-2026	87,714	15,900	103,614	829,965	245,778	1,075,743
2027-2031	39,453	1,693	41,146	878,718	197,025	1,075,743
2032-2036	-	-	-	830,652	136,828	967,480
2037-2041	-	-	-	477,955	56,333	534,288
2042-2044	-	-	-	142,982	7,206	150,188
<b>Total</b>	<b>\$ 312,990</b>	<b>45,593</b>	<b>358,583</b>	<b>4,736,782</b>	<b>988,081</b>	<b>5,724,863</b>

**DEBT LIMITATION**

The Town is subject to a statutory limitation, by the State of Maine, of its general long-term debt equal to 15% of the State's valuation of the Town. At June 30, 2016, the Town was well within the statutory limit for all categories.

**OVERLAPPING DEBT**

In addition to the bonds payable, the Town is contingently responsible for the following overlapping debt as of June 30, 2016:

Governmental Unit	Net debt outstanding	Applicable to Thomaston	Town of Thomaston's share of debt
RSU #13	\$ 1,536,811	17.92%	\$ 275,408
Knox County	1,990,000	4.61%	91,735

The Town's proportionate share of this debt is paid through annual assessments.

**TOWN OF THOMASTON, MAINE**  
Notes to Basic Financial Statements, Continued

**INTERFUND BALANCES AND TRANSFERS**

As of June 30, 2016, the balances of interfund loans receivable/payable and fund transfers were as follows:

Fund	Interfund transfers in	Interfund transfers out	Interfund receivables	Interfund payables
General Fund	\$ -	134,410	-	1,728,574
TIF Fund	-	62,383	532,650	-
Library Operating Fund	65,410	-	-	-
Non-TIF Economic Development Fund	-	44,280	1,010,333	-
Nonmajor Governmental Funds:				
Thomaston Green Fund	-	-	31,396	-
CDBG Loan Fund	-	-	121,142	-
Cemetery Fund	19,000	-	-	-
Proprietary Fund – Pollution Control	156,663	-	33,053	-
<b>Totals</b>	<b>\$ 241,073</b>	<b>241,073</b>	<b>1,728,574</b>	<b>1,728,574</b>

**FUND BALANCE**

As of June 30, 2016, other fund balance components consisted of the following:

	Nonspendable	Restricted	Committed	Assigned
General Fund:				
IUUAL refund	\$ -	-	319,488	-
Carryforward balances	-	-	-	603,850
Reserves	-	-	-	518,875
TIF Fund	-	538,651	-	-
Non-TIF Economic Development Library Operating fund	66,609	962,804	-	-
Nonmajor Governmental Funds:				
Thomaston Green Fund	-	31,396	-	-
CDBG Loan Fund	15,358	121,142	-	-
Permanent Funds	259,618	569,075	-	-
<b>Totals</b>	<b>\$ 341,585</b>	<b>3,233,401</b>	<b>319,488</b>	<b>1,122,725</b>

\*The TIF Fund also has an unassigned fund balance of (\$6,001).

**TOWN OF THOMASTON, MAINE**  
Notes to Basic Financial Statements, Continued

**FUND BALANCE, CONTINUED**

Fund balances in the General Fund have been assigned for future periods as follows:

	June 30, 2016	June 30, 2015
Assigned:		
Carryforward balances:		
Administration	\$ 217,209	158,573
Public infrastructure/maintenance	291,409	225,911
Equipment	21,241	23,754
Sam Watts portrait	755	755
Sam Watts Trust	1,901	1,901
Redevelopment	160	160
Watts Hall capital	7,266	8,661
Senior citizens reimbursement	280	280
Planning commission	1,200	1,200
Rec community events	1,156	-
Police training	12,049	7,746
Police ammunition	1,389	-
Fire station heating	980	980
General assistance	2,922	2,922
Social services	1,710	-
Landscaping	986	-
Informed Growth	791	1,541
Kevin McHolland - Rec	400	400
Heating oil donations	250	250
Ambulance training agreement	2,807	-
Rec Dept. donations	48	48
2010 EMA workplan	25,926	18,896
July 4th	10,000	10,000
Wal-Mart Fire Dept. grant	1,015	1,015
Reserve accounts:		
Salt shed	820	819
Capital improvement	57,120	57,072
Dump truck	20,017	-
Police cruiser	-	2,650
Ambulance	116,987	91,889
Fire engine	76,110	51,046
Academy building	15,118	1,106
Sidewalk	833	833
Recreation	8,197	8,190
Drainage	7,064	7,058
Computer	61,169	53,136
Skate board park	4,599	4,596
Watts Hall voting	108	108
Backhoe	497	497
Municipal facilities	150,236	100,110
<b>Total assigned fund balance</b>	<b>\$ 1,122,725</b>	<b>844,103</b>

**TOWN OF THOMASTON, MAINE**  
Notes to Basic Financial Statements, Continued

**ECONOMIC DEPENDENCY**

Approximately one-fifth of the Town's current tax commitment was levied to Dragon Products, a cement plant with substantial amounts of real and personal property within the Town of Thomaston, Maine.

**DEFERRED COMPENSATION PLAN**

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457, through the International City Management Association (ICMA). The plan, available to all 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. Assets of the plan are automatically placed in trust for the exclusive benefit of participants and their beneficiaries by ICMA.

**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (Maine PERS) - CONSOLIDATED RETIREMENT PENSION PLAN**

**General Information about the Pension Plan**

**Plan Description** - Employees of the Town are provided with pensions through the Maine Public Employees Retirement System Consolidated Plan for Local Participating Districts (PLD Plan), a cost-sharing multiple-employer defined benefit pension plan, administered by the Maine Public Employees Retirement System (MPERS). Benefit terms are established in Maine statute; in the case of the PLD Plan, an advisory group, also established by statute, reviews the terms of the plan and periodically makes recommendations to the Maine State Legislature to amend the terms. MPERS issues a publicly available financial report that can be obtained at [www.mainebers.org](http://www.mainebers.org).

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

**Contributions** - Employee contribution rates are defined by law or Board rule and depend on the terms of the plan under which an employee is covered. Employer contributions are determined by actuarial valuations. Employees are required to contribute 7.5% of their annual pay. The Town's contractually required contribution rate for the year ended June 30, 2016, was 8.9% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$52,472 for the year ended June 30, 2016.

**TOWN OF THOMASTON, MAINE**  
Notes to Basic Financial Statements, Continued

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**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED**

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

At June 30, 2016, the Town reported a liability of \$381,085 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating local districts, actuarially determined. At June 30, 2015, the Town's proportion was 0.1194%.

For the year ended June 30, 2016, the Town recognized pension expense of \$111,809. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	33,557
Changes in assumptions	33,678	-
Net difference between projected and actual earnings on pension plan investments	-	28,792
Changes in proportion and differences between Town contributions and proportionate share of contributions	15,918	-
Town contributions subsequent to the measurement date	52,472	-
<b>Total</b>	<b>\$ 102,068</b>	<b>62,349</b>

\$52,472 is reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended	
2017	\$ (7,631)
2018	(7,631)
2019	(26,895)
2020	29,404

**TOWN OF THOMASTON, MAINE**  
Notes to Basic Financial Statements, Continued

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**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED**

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**Actuarial Assumptions** - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5%
Salary increases	3.5% to 9.5% per year
Investment return	7.125% per annum, compounded annually
Cost of living benefit increases	2.55% per annum

Mortality rates were based on the RP2000 Combined Mortality Table projected forward to 2015 using Scale AA.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2005 to June 30, 2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US equities	20%	5.2%
Non-US equities	20%	5.5%
Private equity	10%	7.6%
Real estate	10%	3.7%
Infrastructure	10%	4.0%
Hard assets	5%	4.8%
Fixed income	25%	0.7%
<b>Total</b>	<b>100%</b>	

**Discount Rate** - The discount rate used to measure the total pension liability was 7.125%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating local districts will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**TOWN OF THOMASTON, MAINE**  
Notes to Basic Financial Statements, Continued

**TOWN OF THOMASTON, MAINE**  
Notes to Basic Financial Statements, Continued

**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED**

**Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.125%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.125%) or 1 percentage-point higher (8.125%) than the current rate:

	1% Decrease <u>(6.125%)</u>	Current Discount Rate <u>(7.125%)</u>	1% Increase <u>(8.125%)</u>
Town's proportionate share of the net pension liability	\$ 759,235	\$ 381,085	\$ 22,576

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

**Payables to the Pension Plan** - None as of June 30, 2016.

**RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the Town either carries commercial insurance, participates in a public entity risk pool, or is effectively self-insured. Currently, the Town participates in several public entities and self-insured risk pools sponsored by the Maine Municipal Association.

Based on the coverage provided by these pools, as well as coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2016.

**TAX INCREMENT FINANCING DISTRICTS**

The Town currently has two tax increment financing (TIF) districts, both of which were active during the year ended June 30, 2016. The objective of these TIF districts is to stimulate new investment in the community by financing, through various tax increment financing projects, various public improvements. Taxes derived from increased assessed valuation within the districts can be "captured" for approved uses. The Town of Thomaston, Maine accounts for all activity of the TIF districts, including captured taxes and expenditures for approved purposes, in a Special Revenue Fund. Expenditures in any given year may exceed captured values in that year as a result of balances available in TIF accounts from prior periods.

The following is a brief description of each:

**#1 Dragon Products Company Development District** - This TIF was established in 2004. The tax increment "captured" will be used for fire safety and sewer improvement projects. During the year ended June 30, 2016, \$772,596 has been captured under this agreement, \$618,076 has been expended under a Credit Enhancement Agreement, and \$53,693 had been expended by the Town. Cumulative fund balance of this TIF at June 30, 2016 was \$538,651.

**TAX INCREMENT FINANCING DISTRICTS, CONTINUED**

**#2 Thomaston Green Downtown Revitalization Municipal Development District** - This TIF was established March 31, 2009. The tax increment "captured" will be used for the activities approved in the development program. During the year ended June 30, 2016, \$17,574 was captured under this agreement and \$18,637 was expended. Cumulative fund deficit at June 30, 2016 was (\$6,001).

**NET INVESTMENT IN CAPITAL ASSETS**

Net position represents the difference between assets, deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Town's net investment in capital assets was calculated as follows at June 30, 2016:

	Governmental Activities	Business-type Activities
Capital assets	\$ 13,097,780	20,795,553
Accumulated depreciation	(7,270,472)	(9,768,350)
Bonds payable	(312,990)	(4,736,782)
<b>Total investment in capital assets</b>	<b>\$ 5,514,318</b>	<b>6,290,421</b>

TOWN OF THOMASTON, MAINE  
Required Supplementary Information

Schedule of Town's Proportionate Share of the Net Pension Liability  
Maine Public Employees Retirement System Consolidated Plan

Last 10 Fiscal Years\*\*

	<u>2016</u> *	<u>2015</u> *
Town's proportion of the net pension liability	0.1194%	0.1227%
Town's proportionate share of the net pension liability	381,085	188,778
Town's covered-employee payroll	589,576	613,955
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	64.64%	30.75%
Plan fiduciary net position as a percentage of the total pension liability	88.27%	94.10%

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

\*\* Only two years of information available

TOWN OF THOMASTON, MAINE  
Required Supplementary Information, Continued

Schedule of Town Contributions  
Maine Public Employees Retirement System Consolidated Plan

Last 10 Fiscal Years\*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 52,472	48,825	42,528
Contributions in relation to the contractually required contribution	(52,472)	(48,825)	(42,528)
<b>Contribution deficiency (excess)</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>
Town's covered-employee payroll	\$ 589,576	613,955	610,952
Contributions as a percentage of covered-employee payroll	8.90%	7.95%	6.96%

\* Only three years of information available.



TOWN OF THOMASTON, MAINE  
Notes to Required Supplementary Information

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**Change of Benefit Terms - None**

**Changes of Assumptions** The discount rate was decreased from 7.25% in 2014 to 7.125% in 2015 and the cost of living benefit increase assumption was changed from 3.12% in 2014 to 2.55% in 2015.

**GENERAL FUND**

The General Fund is the general operating fund of the Town. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. The fund pays general operating expenditures, fixed charges, and capital improvements costs which are not paid through other funds.

TOWN OF THOMASTON, MAINE  
General Fund  
Comparative Balance Sheets  
June 30, 2016 and 2015

	2016	2015
<b>ASSETS</b>		
Cash and cash equivalents	\$ 21,947	21,359
Investments	4,010,195	3,130,040
Receivables:		
Taxes	610,447	583,615
Tax liens	139,341	166,091
Accounts	127,398	112,881
<b>Total assets</b>	<b>\$ 4,909,328</b>	<b>4,013,986</b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	89,581	136,491
Taxes collected in advance	7,883	15,076
Interfund payables	1,728,574	1,568,527
<b>Total liabilities</b>	<b>1,826,038</b>	<b>1,720,094</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue - property taxes	468,000	552,000
<b>Total deferred inflows of resources</b>	<b>468,000</b>	<b>552,000</b>
<b>FUND BALANCES</b>		
Committed	319,488	-
Assigned	1,122,725	844,103
Unassigned	1,173,077	897,789
<b>Total fund balances</b>	<b>2,615,290</b>	<b>1,741,892</b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$ 4,909,328</b>	<b>4,013,986</b>

TOWN OF THOMASTON, MAINE  
General Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
For the year ended June 30, 2016 (with comparative actual amounts for 2015)

	2016		Variance positive (negative)	2015 Actual
	Final Budget	Actual		
<b>Revenues:</b>				
<b>Taxes:</b>				
Property taxes	\$ 6,357,758	6,360,975	3,217	5,880,913
Change in unavailable taxes	-	84,000	84,000	23,000
Supplementals	-	-	-	5,849
Interest and costs on taxes	41,000	38,981	(2,019)	40,720
<b>Excise:</b>				
Motor vehicle	406,500	449,623	43,123	425,882
Recreation	4,000	3,646	(354)	3,681
<b>Total taxes</b>	<b>6,809,258</b>	<b>6,937,225</b>	<b>127,967</b>	<b>6,380,045</b>
Licenses, permits and fees	22,370	42,265	19,895	23,881
<b>Intergovernmental:</b>				
State revenue sharing	140,940	152,755	11,815	151,646
State acquisitions	-	2,050	2,050	-
Homestead exemption	61,926	58,208	(3,718)	60,661
Local road assistance	24,436	24,684	248	24,436
General assistance reimbursement	10,000	6,557	(3,443)	4,811
Gas tax refund	6,200	3,354	(2,846)	3,254
Veteran's exemption	3,000	3,355	355	3,058
Snowmobile reimbursement	250	424	174	318
Tree growth	1,500	1,332	(168)	2,166
PERC performance credit	35,000	39,877	4,877	47,838
CDBG Grant - Façade	-	17,808	17,808	56,092
BETE reimbursements	70,645	70,679	34	32,822
<b>Total intergovernmental</b>	<b>353,897</b>	<b>381,083</b>	<b>27,186</b>	<b>387,102</b>
<b>Charges for services:</b>				
Stamp dump fees	9,500	7,654	(1,846)	6,197
Ambulance	29,250	134,507	105,257	125,798
<b>Total charges for services</b>	<b>38,750</b>	<b>142,161</b>	<b>103,411</b>	<b>131,995</b>
<b>Investment income:</b>				
Interest earned - reserve accounts	-	438	438	339
Other interest income, net	700	627	(73)	289
<b>Total investment income</b>	<b>700</b>	<b>1,065</b>	<b>365</b>	<b>628</b>
<b>Other revenues:</b>				
Rental income	31,600	37,192	5,592	37,932
Utility reimbursement-tenants	5,000	4,754	(246)	5,895
Cable television franchise fee	19,500	19,290	(210)	19,347
Tower lease	15,180	24,380	9,200	23,613
Samuel Watts Fund	-	3,140	3,140	3,010
Reimbursement - pollution control - public works	-	61,704	61,704	60,495
Reimbursement - insurance	-	3,471	3,471	3,449
MMA workers comp refund	-	3,512	3,512	3,191
MEPERS IUUAL refund	-	364,596	364,596	-
Miscellaneous	1,500	2,488	988	6,899
<b>Total other revenues</b>	<b>72,780</b>	<b>524,527</b>	<b>451,747</b>	<b>163,831</b>
<b>Total revenues</b>	<b>7,297,755</b>	<b>8,028,326</b>	<b>730,571</b>	<b>7,087,482</b>

TOWN OF THOMASTON, MAINE  
General Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual, Continued

	2016			2015 Actual
	Final Budget	Actual	Variance positive (negative)	
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Selectman	\$ 30,163	62,167	(32,004)	36,418
Town Manager	137,444	136,792	652	135,103
Clerk's office	44,636	31,798	12,838	37,245
General office	31,000	27,782	3,218	30,776
Finance	55,740	60,786	(5,046)	55,257
Administration	18,530	18,778	(248)	20,322
Contingency	1,000	1,510	(510)	1,197
Computer	18,500	18,423	77	16,611
Code enforcement	47,686	47,419	267	44,854
Assessor	42,567	52,998	(10,431)	53,389
Planning Board	200	-	200	-
<b>Total general government</b>	<b>426,966</b>	<b>458,453</b>	<b>(31,487)</b>	<b>431,172</b>
<b>Municipal buildings</b>				
Watts Block	51,947	46,009	5,938	54,460
Academy building	42,000	32,381	9,619	38,790
<b>Total municipal buildings</b>	<b>93,947</b>	<b>78,390</b>	<b>15,557</b>	<b>93,250</b>
<b>Public safety</b>				
Fire department	116,028	108,175	7,853	104,771
Police department	319,063	306,184	12,879	309,511
Protection and safety	187,391	181,856	5,535	208,350
<b>Total public safety</b>	<b>622,482</b>	<b>596,215</b>	<b>26,267</b>	<b>622,632</b>
<b>Public works</b>	477,213	441,270	35,943	487,461
<b>Health and welfare</b>				
Ambulance	112,446	203,699	(91,253)	194,915
Transfer station	242,000	248,620	(6,620)	236,788
General assistance	20,000	11,827	8,173	11,071
<b>Total health and welfare</b>	<b>374,446</b>	<b>464,141</b>	<b>(89,695)</b>	<b>442,774</b>
<b>Education - RSU No 13</b>	<b>3,756,886</b>	<b>3,756,886</b>		<b>3,389,803</b>
<b>Intergovernmental - county tax</b>	<b>395,311</b>	<b>395,311</b>		<b>373,969</b>
<b>Recreation and leisure</b>	86,069	71,707	14,362	83,060
<b>Local agencies</b>	20,233	16,256	3,977	17,665
<b>Employee benefits</b>	470,982	487,769	(16,787)	453,714
<b>Unclassified:</b>				
Overlay/abatements	12,942	6,350	6,592	22,079
Insurances	48,100	40,130	7,970	41,496
Public restrooms	1,800	1,517	283	1,737
Ambulance billing	-	6,755	(6,755)	4,067
Computer	1,425	1,425	-	-
Memberships	4,500	4,497	3	4,456
Regional Planning Commission	600	600	-	600
Maine Service Coalition	500	500	-	500
Fourth of July	10,000	10,000	-	10,000
Flags	500	-	500	-
Tidelands coalition	-	1,500	(1,500)	-
<b>Total unclassified</b>	<b>80,367</b>	<b>73,274</b>	<b>7,093</b>	<b>85,935</b>

TOWN OF THOMASTON, MAINE  
General Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual, Continued

	2016			2015 Actual
	Final Budget	Actual	Variance positive (negative)	
<b>Expenditures, continued:</b>				
<b>Capital outlays:</b>				
Paving projects	\$ 90,000	92,219	(2,219)	81,134
Police cruisers (2)	-	15,652	(15,652)	24,290
Cardiac monitor	15,000	15,000	-	-
Watts hall roof	60,000	-	60,000	40,000
Sidewalk replacement	30,000	14,410	15,590	3,344
Computers	-	2,020	(2,020)	18,460
Protective clothing	7,000	7,000	-	7,000
2010 EMA work plan	4,043	2,639	1,404	705
Shellfish management	3,000	3,000	-	3,000
Fire equipment (SCBA)	2,400	2,262	138	2,262
Fire equipment	-	-	-	653
CDBG - streetscape phase 1	-	17,808	(17,808)	56,092
Dump truck reserve	-	-	-	30,300
Academy central air system/roof repairs	-	-	-	12,951
<b>Expended from assigned fund balance amounts:</b>				
Administration	-	(8,240)	8,240	5,427
Equipment	-	2,513	(2,513)	8,575
Fire station heating system	-	-	-	34,091
Fire department grant	-	-	-	985
EMA workplan	-	(5,626)	5,626	(539)
Police forfeiture	-	-	-	823
Watts Hall rental	-	2,030	(2,030)	2,333
Maine service center coalition	-	-	-	500
Police connectivity grant	-	-	-	10
Public infrastructure	-	16,741	(16,741)	10,061
Informed growth	-	750	(750)	-
Police training	-	668	(668)	1,267
<b>Raised to increase reserves (assigned fund balances):</b>				
Academy building	14,000	-	14,000	-
Ambulance	25,000	-	25,000	-
Dump truck	20,000	-	20,000	-
Computers	10,000	-	10,000	-
Police cruiser	13,000	-	13,000	-
Municipal facilities	50,000	-	50,000	-
Fire apparatus	25,000	-	25,000	-
<b>Total capital outlays</b>	<b>368,443</b>	<b>180,846</b>	<b>187,597</b>	<b>343,724</b>
<b>Total expenditures</b>	<b>7,173,345</b>	<b>7,020,518</b>	<b>152,827</b>	<b>6,825,109</b>
<b>Excess of revenues over expenditures</b>	<b>124,410</b>	<b>1,007,808</b>	<b>883,398</b>	<b>262,373</b>

TOWN OF THOMASTON, MAINE  
General Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual, Continued

	2016			2015 Actual
	Final Budget	Actual	Variance positive (negative)	
Other financing uses:				
Transfers out - Pollution Control fund	\$ -	(50,000)	(50,000)	(50,000)
Transfers out - Library Operating fund	(65,410)	(65,410)	-	(27,096)
Transfers out - Cemetery fund	(19,000)	(19,000)	-	(19,000)
Use of fund balance	(40,000)	-	40,000	-
Total other financing uses	(124,410)	(134,410)	(10,000)	(96,096)
Net change in fund balances	-	873,398	873,398	166,277
Fund balance, beginning		1,741,892		1,575,615
<b>Fund balance, ending</b>	<b>\$</b>	<b>2,615,290</b>		<b>1,741,892</b>

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**NONMAJOR GOVERNMENTAL FUNDS**

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TOWN OF THOMASTON, MAINE  
 Nonmajor Governmental Funds  
 Combining Balance Sheet  
 June 30, 2016

	Nonmajor Special Revenue Fund		Nonmajor Permanent Funds		Totals
	Thomaston Green Fund	CDBG Loan Fund	Library Book Fund	Cemetery Fund	
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	-	1,053	11,860	12,913
Investments	-	-	349,215	466,565	815,780
Loans receivable	-	15,358	-	-	15,358
Interfund receivables	31,396	121,142	-	-	152,538
<b>Total assets</b>	<b>\$ 31,396</b>	<b>136,500</b>	<b>350,268</b>	<b>478,425</b>	<b>996,589</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances:</b>					
Nonspendable, principal	-	-	97,172	162,446	259,618
Nonspendable, non-current receivables	-	15,358	-	-	15,358
Restricted	31,396	121,142	253,096	315,979	721,613
<b>Total fund balances</b>	<b>31,396</b>	<b>136,500</b>	<b>350,268</b>	<b>478,425</b>	<b>996,589</b>
<b>Total liabilities and fund balances</b>	<b>\$ 31,396</b>	<b>136,500</b>	<b>350,268</b>	<b>478,425</b>	<b>996,589</b>

TOWN OF THOMASTON, MAINE  
 Nonmajor Governmental Funds  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 For the year ended June 30, 2016

	Nonmajor Special Revenue Fund		Nonmajor Permanent Funds		Total
	Thomaston Green Fund	CDBG Loan Fund	Library Book Fund	Cemetery Fund	
<b>Revenues</b>					
Charges for services	\$ -	-	63	21,475	21,538
Investment income:					
Interest	-	16	6,289	8,922	15,227
Other revenues	12,000	-	3,359	3	15,362
<b>Total revenues</b>	<b>12,016</b>	<b>-</b>	<b>9,711</b>	<b>30,400</b>	<b>52,127</b>
<b>Expenditures:</b>					
Current:					
Library	-	-	21,416	-	21,416
Cemetery	-	-	-	51,806	51,806
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>21,416</b>	<b>51,806</b>	<b>73,222</b>
<b>Other financing sources:</b>					
Transfer from other funds	-	-	-	19,000	19,000
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,000</b>	<b>19,000</b>
<b>Net change in fund balances</b>	<b>12,016</b>	<b>-</b>	<b>(11,705)</b>	<b>(2,406)</b>	<b>(2,095)</b>
<b>Fund balances, beginning of year</b>	<b>19,380</b>	<b>136,500</b>	<b>361,973</b>	<b>480,831</b>	<b>998,684</b>
<b>Fund balances, end of year</b>	<b>\$ 31,396</b>	<b>136,500</b>	<b>350,268</b>	<b>478,425</b>	<b>996,589</b>

## **PRIVATE-PURPOSE TRUST FUNDS**

Private-purpose Trust Funds are established to account for assets received by the Town and held in a fiduciary capacity as trustee or agent.

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Exhibit C-1

TOWN OF THOMASTON, MAINE  
Private-purpose Trust Funds  
Combining Statement of Fiduciary Net Position  
June 30, 2016

	Dietz Scholarship Fund	Charity Fund	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 65,724	105,186	170,910
Investments	-	724,789	724,789
<b>Total assets</b>	<b>\$ 65,724</b>	<b>829,975</b>	<b>895,699</b>
<b>NET POSITION</b>			
Held in trust for other purposes	65,724	829,975	895,699
<b>Total net position</b>	<b>\$ 65,724</b>	<b>829,975</b>	<b>895,699</b>

Exhibit C-2

TOWN OF THOMASTON, MAINE  
Private-purpose Trust Funds  
Combining Statement of Changes in Fiduciary Net Position  
For the year ended June 30, 2016

	Dietz Scholarship Fund	Charity Fund	Total
<b>Additions:</b>			
Investment income:			
Interest	\$ 99	20,415	20,514
Net investment losses	-	(6,175)	(6,175)
<b>Total additions</b>	<b>99</b>	<b>14,240</b>	<b>14,339</b>
<b>Deductions:</b>			
Charity	-	10,797	10,797
<b>Total deductions</b>	<b>-</b>	<b>10,797</b>	<b>10,797</b>
Change in net position	99	3,443	3,542
Net position, beginning of year	65,625	826,532	892,157
<b>Net position, end of year</b>	<b>\$ 65,724</b>	<b>829,975</b>	<b>895,699</b>



## **AGENCY FUNDS**

Agency funds account for assets and liabilities the Town holds on behalf of other entities. Currently the Town's agency fund represents assets held for the Fourth of July Activity Committee.

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Exhibit D-1

TOWN OF THOMASTON, MAINE  
 Agency Funds  
 Schedule of Changes in Assets  
 For the year ended June 30, 2016

	4th of July
Assets, June 30, 2015	\$ 34,715
Additions:	
Contributions	34,399
Interest and gains	87
Total asset additions	34,486
Deductions:	
Fireworks	20,626
Total asset deductions	20,626
Assets, June 30, 2016	\$ 48,575

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**APPENDIX G**

**PROPOSED FORM  
OF  
LEGAL OPINION**

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October 12, 2017

Regional School Unit No. 13  
28 Lincoln Street  
Rockland, ME 04841

[Underwriter]  
[                    ]  
[                    ]  
Attn: [            ]

RE:            Regional School Unit No. 13 \$13,125,000 2017 General Obligation Bonds - Series B  
                  Dated October 12, 2017

Ladies and Gentlemen:

We have acted as Bond Counsel for Regional School Unit No. 13 (the “Issuer”), in connection with the issuance and sale of the above-described bonds (the “Bonds”). In such capacity, we have examined the applicable law, including Chapter 103-A of Title 20-A of the Maine Revised Statutes. We have also examined such certified proceeds and other papers as we have deemed necessary to render this opinion, including the record of proceedings submitted to us by the Issuer in connection with the issuance and sale of the Bonds, including certified copies of the election results of a referendum of the voters of the Issuer held on February 28, 2017, and a Resolution adopted by the School Board of the Issuer on August 17, 2017 (collectively, the “Bond Authorization”).

The Bonds are dated as of October 12, 2017, and will bear interest from their dated date payable on April 1, 2018, and semi-annually thereafter on April 1 and October 1 of each year until maturity, or redemption prior to maturity. The Bonds will be issued in the following denominations and principal amounts and will mature on October 1 of each year as reflected herein below:

<b>Year of Maturity</b>	<b>Amount</b>	<b>Interest Rate</b>	<b>Year of Maturity</b>	<b>Amount</b>	<b>Interest Rate</b>
2019	655,000	%	2029	655,000	%
2020	655,000		2030	655,000	
2021	655,000		2031	655,000	
2022	655,000		2032	655,000	
2023	655,000		2033	655,000	
2024	655,000		2034	660,000	
2025	655,000		2035	660,000	
2026	655,000		2036	660,000	
2027	655,000		2037	660,000	
2028	655,000		2038	660,000	

The Bonds maturing on or before October 1, 2027, are not subject to redemption prior to their stated dates of maturity. Bonds maturing on or after October 1, 2028, are subject to redemption prior to their stated dates of maturity at the option of the Issuer on and after October 1, 2027, upon the terms and conditions stated in the Bonds.

Each of the Bonds should be signed by the Treasurer of the Issuer, countersigned by the Chairperson of the School Board of the Issuer, sealed with the seal of the Issuer, and attested to by the Secretary of the Issuer, and each should bear the signed certificate of the authenticating agent identified thereon. The Bonds are issued by means of a book-entry system evidencing ownership and transfer of Bonds on the records of The Depository Trust Company and its participants.

In expressing the opinions set forth in paragraphs 3 and 5 below, we have examined and relied upon the Arbitrage and Use of Proceeds Certificate and General Tax Certificate (the “Tax Certificates”) delivered concurrently with the Bonds, which Tax Certificates contain representations, certifications, warranties, provisions, and procedures regarding compliance with the requirements of the Internal Revenue Code of 1986, as amended (the “Code”). The Issuer, in executing the Tax Certificates, has certified to the effect that the information therein is true and accurate and that the Issuer will comply with the provisions and procedures set forth therein and do and perform all acts and things necessary or desirable in order to ensure that interest paid on the Bonds shall be excludable from the gross income of the owners thereof for federal income tax purposes. In rendering the opinions set forth in paragraphs 3 and 5 below, we have relied upon the representations of the Issuer set forth in the Tax Certificates, and we have assumed that the Issuer will comply with the representations, certifications, warranties, provisions and procedures set forth in the Tax Certificates.

We note that the Code establishes certain requirements regarding use, expenditure and investment of the proceeds of the Bonds and timely payment of certain investment earnings to the U.S. Treasury that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code. Noncompliance with such requirements may cause interest on the Bonds to be included in the gross income of the owners thereof retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs.

We also note that ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to the applicability of any such collateral consequences.

With reference to the Bonds, we are further of the opinion that under existing law:

1. The Bonds, executed as above described and subject to due authentication, have been duly authorized and are valid and binding general obligations of the Issuer, enforceable in accordance with their terms.
2. Unless paid from other sources, the Bonds are payable as to both principal and interest from ad valorem taxes which may be levied without limit as to rate or amount upon all the property within

the territorial limits of the Issuer (which territory consists of the City of Rockland and the Towns of Cushing, Owls Head, South Thomaston, and Thomaston, Maine) and taxable by it, except to the extent that any municipality with the territorial limits of the Issuer may enter into an agreement under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, to share its assessed valuation with another municipality; and except to the extent that any municipality within the Issuer establishes or has established development districts as either tax increment financing districts or affordable housing development districts pursuant to Title 30-A, Chapter 206 and former (now repealed) Chapter 207 of the Maine Revised Statutes, as amended, the captured tax increment of which may not be available for payment of debt service on the Bonds.

3. Based on existing statutes, regulations and court decisions, interest on the Bonds is excludable from the gross income of the owners thereof for purposes of federal income taxation pursuant to Section 103 of the Code, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in the computation of certain taxes that may be imposed with respect to corporations, including, without limitation, adjusted current earnings of a corporation for purposes of computation of the alternative minimum tax and the foreign branch profits tax.
4. Interest payable on the Bonds is not subject to Maine income taxes imposed upon individuals under existing statutes, regulations, and court decisions.
5. The Bonds will not constitute “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

The foregoing opinions are qualified to the extent that the enforceability of the obligations of the Issuer, including the Bonds, may be limited by bankruptcy, moratorium or insolvency or other laws affecting the rights and remedies of creditors generally and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We have not examined and assume no responsibility for the financial condition of the Issuer and nothing set forth herein shall be construed as an assurance as to the Issuer’s financial condition or ability to make payment on the Bonds.

The opinions rendered herein are given as of the date hereof and we assume no obligation to update, revise or supplement such opinions to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

---

DRUMMOND WOODSUM & MACMAHON

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**APPENDIX H**

**PROPOSED FORM  
OF  
CONTINUING DISCLOSURE AGREEMENT**

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**REGIONAL SCHOOL UNIT NO. 13  
PROPOSED FORM OF  
CONTINUING DISCLOSURE AGREEMENT**

In connection with the issuance by Regional School Unit No. 13, Maine (the “Issuer”) of its \$13,125,000 2017 General Obligation Bonds – Series B, dated as of October 12, 2017 (the “Bonds”) and with reference to the continuing disclosure requirements of Rule 15c2-12 under the Securities and Exchange Act of 1934, as amended, and officially interpreted from time to time (the “Rule”), the Issuer hereby covenants under this Continuing Disclosure Agreement (the “Agreement”) that it will engage in the undertakings described in Paragraphs 1, 2 and 3 herein for the benefit of the beneficial owners of the Bonds, subject to the conditions and limitations specified herein. Under the agreement, the Issuer will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board established under the Securities and Exchange Act of 1934, as amended, or any successor thereto (the “MSRB”). This information will be available free of charge from the MSRB via the Electronic Municipal Market Access (“EMMA”) system at [www.emma.msrb.org](http://www.emma.msrb.org). The Issuer reserves the right to incorporate by reference its Official Statement dated September 27, 2017 relating to the Bonds (the “Official Statement”), which will be submitted to the MSRB, as hereinafter defined, at the time of delivery of the Bonds, in any future disclosure provided hereunder.

1. The Issuer will provide to the MSRB: (a) not later than March 31 following the end of each fiscal year, commencing with the fiscal year ending June 30, 2017, certain updated financial information and operating data relating to the Issuer for the preceding fiscal year of the type presented in the Official Statement prepared in connection with the Bonds under the headings “DISTRICT FINANCES,” “INDEBTEDNESS,” “RETIREMENT” and in APPENDIX A and such other financial information and operating data as may be required to comply with the Rule; and (b) the updated information discussed in (a) above will include audited financial statements, if the Issuer commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the Issuer will provide audited financial statements when and if such audited financial statements become available. Such filings, if not completed by the required time in (a) above, but if filed when available, will not be deemed to be a “late filing”. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix A or such other accounting principles as the Issuer may be required to employ from time to time pursuant to State law or regulation.

The Issuer reserves the right to modify from time to time the specific types of information provided under clause (a) above or the format of the presentation of such information to reflect changed circumstances, provided that any such modification will be done in a manner consistent with the Rule.

2. The Issuer will provide in a timely manner, not in excess of ten (10) business days, after the occurrence of an event listed in this Section 2 to the MSRB through EMMA (in an electronic format as prescribed by the MSRB) notice of the occurrence of any of the following events with respect to the Bonds.

(a) Certain events whether material or not material:

- (1) Principal and interest payment delinquencies;
- (2) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (3) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (4) Substitution of credit or liquidity providers, or their failure to perform;
- (5) Adverse tax opinions or events affecting the tax-exempt status of the Bonds, the issuance by the Internal Revenue Service of Proposed Issue (IRS Form 5701-TEB) or other material

notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

- (6) Tender offers;
- (7) Defeasances;
- (8) Rating changes;
- (9) Bankruptcy, insolvency, receivership or similar event of the Issuer (Note: For the purposes of the event identified in paragraph 1, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.);

(b) Certain events if material:

- (1) Non-payment related defaults;
- (2) Modifications to the rights of holders of the Bonds;
- (3) Bond calls;
- (4) The release, substitution, or sale of property securing repayment of the Bonds;
- (5) The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and
- (6) Appointment of a successor or additional trustee or the change of name of a trustee.

The Issuer from time to time may choose to provide notice of the occurrence of certain other events, in addition to those listed above, but the Issuer does not undertake to commit to provide any such notice of the occurrence of any material event except those listed above.

3. The Issuer will provide in a timely manner to the MSRB notice of a failure to satisfy the requirements of Paragraph 1 herein.
4. The intent of the Issuer's undertaking in this Agreement is to provide on a continuing basis the information described in the Rule. The provisions of the Agreement may be amended by the Issuer without the consent of, or notice to, any beneficial owners of the Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the Securities and Exchange Commission ("SEC") or its staff (whether required or optional), (b) to add a dissemination agent for the information required to be provided by such undertakings and to make any necessary or desirable provisions with respect thereto, (c) to add to the covenants of the Issuer for the benefit of the beneficial owners of the Bonds, (d) to modify the contents, presentation and format of the financial information from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (e) to otherwise modify the undertakings in a manner consistent with the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d) or (e), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of the beneficial owners of the Bonds, as determined either by a party unaffiliated with the

Issuer (such as bond counsel), or by the vote or consent of beneficial owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment.

Furthermore, the Issuer's obligations under this Agreement shall terminate upon the legal defeasance, prior redemption or payment of in full of all of the Bonds or to the extent that the Rule, as in effect from time to time, no longer requires the issuers of municipal securities to provide all or any portion of the information the Issuer has agreed to provide pursuant to the Agreement, the obligation of the Issuer to provide such information also shall cease immediately.

5. The purpose of the Issuer's undertaking is to conform to the requirements of the Rule and, except for creating the right on the part of the beneficial owners of the Bonds, from time to time, to specifically enforce the Issuer's obligations hereunder, not to create new contractual or other rights for any beneficial owner of the Bonds, any municipal securities broker or dealer, any potential purchaser of the Bonds, the SEC or any other person. The sole remedy in the event of any actual or alleged failure by the Issuer to comply with any provision herein shall be an action for the specific performance of the Issuer's obligations hereunder and not for money damages in any amount. Any failure by the Issuer to comply with any provision of this undertaking shall not constitute an event of default with respect to the Bonds.
6. Except as disclosed in its Official Statement, the Issuer has never failed to comply in all material respects with any previous undertakings to provide financial information or notices of material events in accordance with the Rule.
7. The Issuer's Treasurer, or such official's designee from time to time, shall be the contact person on behalf of the Issuer from whom the foregoing information, data and notices may be obtained. The name, address and telephone number of the initial contact person is: Peter K. Orne, Business Manager Regional School Unit No. 13, 28 Lincoln Street, Rockland, ME 04841, (207) 596-6620, *peter.orne@rsu13.org*

REGIONAL SCHOOL UNIT NO. 13

By: \_\_\_\_\_

Its: \_\_\_\_\_

Dated: \_\_\_\_\_, 2017

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**APPENDIX I**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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# MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By \_\_\_\_\_  
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.  
1633 Broadway, New York, N.Y. 10019  
(212) 974-0100