

Town of Standish



Annual Financial Statements
For the Year Ended June 30, 2018

Independently Audited By

Berry·Talbot·Royer
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

Town Council and Manager
Town of Standish, 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 the Town of Standish, Maine as of and for the year ended June 30, 2018, 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

The Town's 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, each major fund, and the aggregate remaining fund information of the Town of Standish, Maine as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 – 15 and 38 – 40 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Standish, Maine's basic financial statements. Schedules 3 through 13 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Schedules 3 through 13 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, Schedules 3 through 13 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Berry Talbot Royer
Certified Public Accountants
Falmouth, Maine
December 10, 2018



Town of Standish

Management Discussion and Analysis

The Town of Standish (the Town) provides this Management Discussion and Analysis to present additional information to the readers of the Town's basic financial statements. This narrative overview and analysis of the financial activities of the Town is for the fiscal year ended June 30, 2018. Readers are encouraged to consider this information in conjunction with the additional information that is furnished in the Town's basic financial statements, required supplementary information, and other supplementary information.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's 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 required supplementary information that provides budgetary comparisons with actual results. The components of the financial statements are described in the following sections.

Basic Financial Statements

The basic financial statements include two types of financial statements that present different views of the Town – the Government-wide Financial Statements and the Fund Financial Statements. The Notes to the Basic Financial Statements supplement the financial statement information and clarify line items that are part of the financial statements.

Government-wide Financial Statements

The Government-wide Financial Statements provide a broad view of the Town's operations in a manner similar to a private sector business. The statements provide both short-term and long-term information about the Town's financial position, which assists in assessing the Town's economic condition at the end of the fiscal year. These are prepared using the economic resources measurement focus and the accrual basis of accounting. This basically means they follow methods that are similar to those used by most businesses. They take into account all revenues and expenses connected with the fiscal year even if cash involved has not been received or paid. The Government-wide Financial Statements include two statements:

- The *Statement of Net Position* presents all of the government's assets, liabilities, and deferred inflows of resources, with the difference between total assets and the sum of total liabilities and total deferred inflows of resources reported as total net position. Over time, increases or decreases in the Town's net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.
- The *Statement of Activities* presents information showing how the government'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 not result in cash flows until future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the Town.

Both of the above financial statements present the net position and activities of *governmental activities*. Governmental activities are those activities that are mostly supported by taxes and intergovernmental revenues (federal and state grants), and are the only major category of activities carried on by the Town.

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, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Fund Financial Statements focus on individual parts of the Town government, reporting the Town's operations in more detail than the Government-wide Financial Statements. The Town maintains only two categories of funds: governmental funds and fiduciary funds. It is important to note that these fund categories use different accounting approaches and should be interpreted differently.

Governmental Funds

All of the basic services provided by the Town are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as 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 balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near term financing requirements. This approach is known as using the flow of 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 (i.e., measurable and available to liquidate liabilities of the current period). Expenditures are generally recorded when liabilities are incurred, except for those related to long-term liabilities, which are recorded when due and payable. These statements provide a detailed short term view of the Town's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the Town.

Because the focus of governmental funds is narrower than that of 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 government's near term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The Town presents three columns in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances. The Town's major governmental funds are the General Fund and the 2018 Capital Projects Fund. All non-major governmental funds are combined in the "Other Governmental Funds" column on these statements.

Fiduciary Funds

These 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.

The Town's sole fiduciary fund is an Agency Fund that accounts for money held and administered by the Town on behalf of third parties.

Current Year Financial Highlights

- The Town's property values decreased in taxable valuation from \$1,004,708,939 to \$994,254,464, an overall decrease of \$10,454,475, or approximately 1.0%.
- The Town's mill rate increased from \$12.82 in fiscal year 2017 to \$13.25 in fiscal year 2018, an increase of \$0.43 per thousand.
- The Town's assets exceeded its liabilities and deferred inflows of resources by \$31,505,908 as of the end of the fiscal year. This year's total net position includes an unrestricted portion totaling \$2,424,444 (a decrease from prior year of \$653,958), which may be used to meet the Town's ongoing obligations to employees, citizens, and creditors.
- The Town's operations for this year resulted in a decrease in net position of \$1,003,457. The Town's net expenses of \$17,059,182 were not completely offset by general revenues of \$16,055,725.
- Total governmental activities' expenses in fiscal year 2018 were up by \$787,652 from fiscal year 2017. Also, total governmental activities' revenues in fiscal year 2018 were up by \$628,816 from fiscal year 2017.
- In the General Fund, the Town's unassigned fund balance decreased by \$203,915 from June 30, 2017 to June 30, 2018. This decrease was the result of the Town's plan when budgeting a \$500,000 deficit (use of fund balance) for fiscal year 2018. The full budgeted deficit was not realized.
- It is the policy of the Town to maintain unassigned fund balance in the General Fund at a range between two twelfths and three twelfths of the approved appropriation for the municipal budget or 16.67% to 25.00% - essentially, two to three months' worth of expenditures. Going into fiscal year 2019, the original approved appropriations totaled \$18,340,547, creating a target range of \$3,056,819 to \$4,585,137. At year end, the unassigned fund balance was \$2,718,920, below the target range by \$337,899.
- At the close of the current fiscal year, the Town's General Fund's unassigned fund balance as a percentage of the General Fund's expenditures for the fiscal year was 15.55% – down from 17.53% in the prior year.
- The Town's total bonded and other long-term debt increased by \$656,100 during the current fiscal year. Current year debt issues were \$1,631,115 while debt repayments were \$975,015.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's net position totaled \$31.5 million at the end of fiscal year 2018, compared to \$32.5 million at the end of fiscal year 2017.

Table A
Town of Standish
Condensed Statement of Net Position
As of June 30, 2018 and 2017

	2018	2017	\$ Change	% Change
Current assets	\$ 6,704,070	\$ 6,691,241	\$ 12,829	0.2%
Capital assets, net	<u>32,464,604</u>	<u>32,581,409</u>	<u>(116,805)</u>	-0.4%
Total assets	39,168,674	39,272,650	(103,976)	-0.3%
Current liabilities	1,901,207	1,584,972	316,235	20.0%
Long-term liabilities	<u>5,754,758</u>	<u>5,175,874</u>	<u>578,884</u>	11.2%
Total liabilities	7,655,965	6,760,846	895,119	13.2%
Deferred inflows of resources	<u>6,801</u>	<u>5,439</u>	<u>1,362</u>	25.0%
Net investment in capital assets	27,591,225	27,952,229	(361,004)	-1.3%
Restricted	1,490,239	1,478,734	11,505	0.8%
Unrestricted	<u>2,424,444</u>	<u>3,078,402</u>	<u>(653,958)</u>	-21.2%
Total net position	<u>\$31,505,908</u>	<u>\$32,509,365</u>	<u>\$ (1,003,457)</u>	-3.1%

Significant variances from the prior year include a 20% increase (\$316,235) in current liabilities, an 11.2% increase (\$578,884) in long-term liabilities, and a 36.5% decrease (\$1,124,212) in unrestricted net assets.

The increase in current liabilities is attributable to \$187,571 more in accounts payable outstanding at year end 2018 than were outstanding at year end 2017. This is due mostly to timing of expenditures related to approved capital projects. The remainder of the increase in current liabilities is due to the unavoidable increase in the current portion of long-term debt, as determined by the amortization schedules for the Town's general obligation bonds.

The increase in long-term liabilities is due to a combination of the net increase in general obligation bonds outstanding as well as increases in accrued compensated absences.

Table B
Town of Standish
Condensed Statement of Activities
For the Years Ended June 30, 2018 and 2017

	2018	2017	\$ Change	% Change
Charges for services	\$ 1,392,917	\$ 1,312,649	\$ 80,268	6.1%
Operating grants	<u>212,647</u>	<u>182,520</u>	<u>30,127</u>	16.5%
Total program revenues	1,605,564	1,495,169	110,395	7.4%
Taxes	15,234,189	14,814,806	419,383	2.8%
Intergovernmental	705,594	591,077	114,517	19.4%
Other	<u>115,942</u>	<u>131,421</u>	<u>(15,479)</u>	-11.8%
Total general revenues	<u>16,055,725</u>	<u>15,537,304</u>	<u>518,421</u>	3.3%
Total revenues	17,661,289	17,032,473	628,816	3.7%
General government	1,435,362	1,346,971	88,391	6.6%
Public safety	2,048,631	1,845,614	203,017	11.0%
General assistance	37,269	28,744	8,525	29.7%
Public works	3,196,007	3,157,397	38,610	1.2%
Community service programs	559,996	449,751	110,245	24.5%
Capital outlay	5,000	6,710	(1,710)	-25.5%
Benefits and insurance	811,447	738,831	72,616	9.8%
Fixed charges	10,550,716	10,261,884	288,832	2.8%
Overlay and bad debt	<u>20,318</u>	<u>41,192</u>	<u>(20,874)</u>	-50.7%
Total expenses	<u>18,664,746</u>	<u>17,877,094</u>	<u>787,652</u>	4.4%
Change in net position	<u>\$ (1,003,457)</u>	<u>\$ (844,621)</u>	<u>\$ (158,836)</u>	18.8%

Overall, total revenues were up in fiscal year 2018 compared to fiscal year 2017 by 3.7%. Most of this increase came from property taxes, excise taxes, and state revenue sharing and reimbursements. Total expenses were up by 4.4%, mostly in public safety (mostly salary increases), community service programs (mostly due to increases in the recreation fund expenditures and on the new Rich Memorial Beach), and fixed charges (almost all from increases in the education assessment from MSAD #6).

Overall, the Town realized a decrease in net position of \$1,003,457. This is 18.8% more than the prior year's decrease of \$844,621. Since the start of fiscal year 2017, the Town's net position has decreased \$1.8 million, or approximately 5.5%

Chart A on the following page shows the relative sizes of revenues based on their source. The largest source of revenues is, of course, taxes at 86%, followed by charges for services at 8%.

Chart B on the following page shows the relative sizes of expenses based on the program. Fixed charges, which includes education, county tax, and debt interest, takes up the largest share of expenses at 57%. Public works is second, consuming 17% of expenses.

Chart A
Revenues by Source

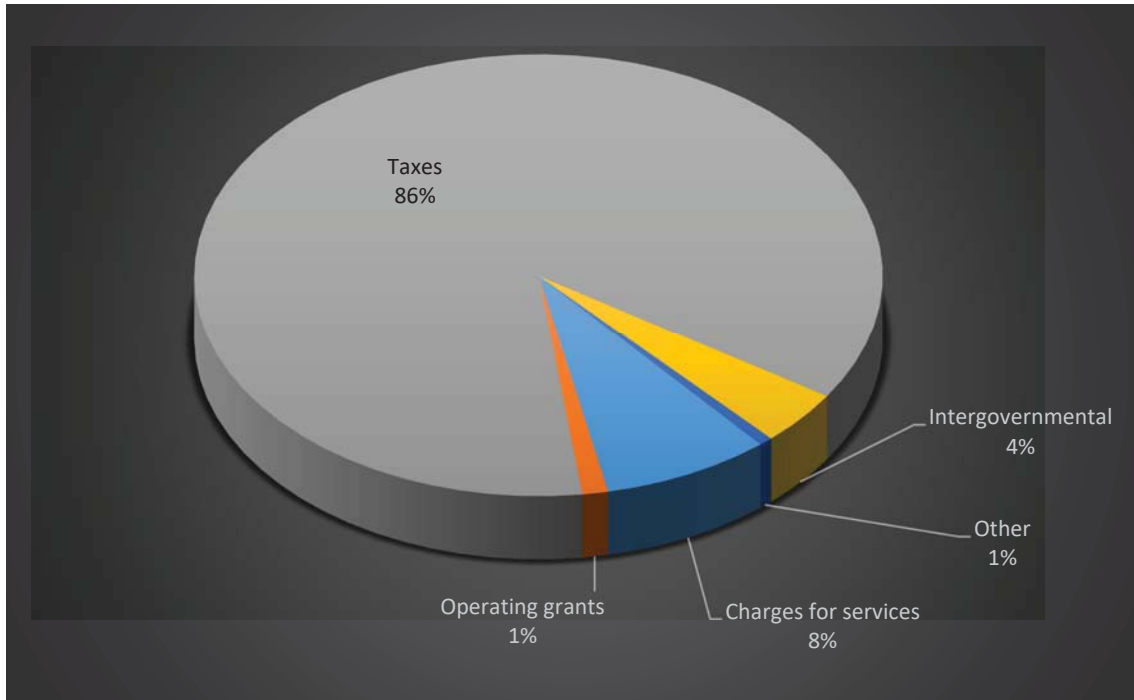
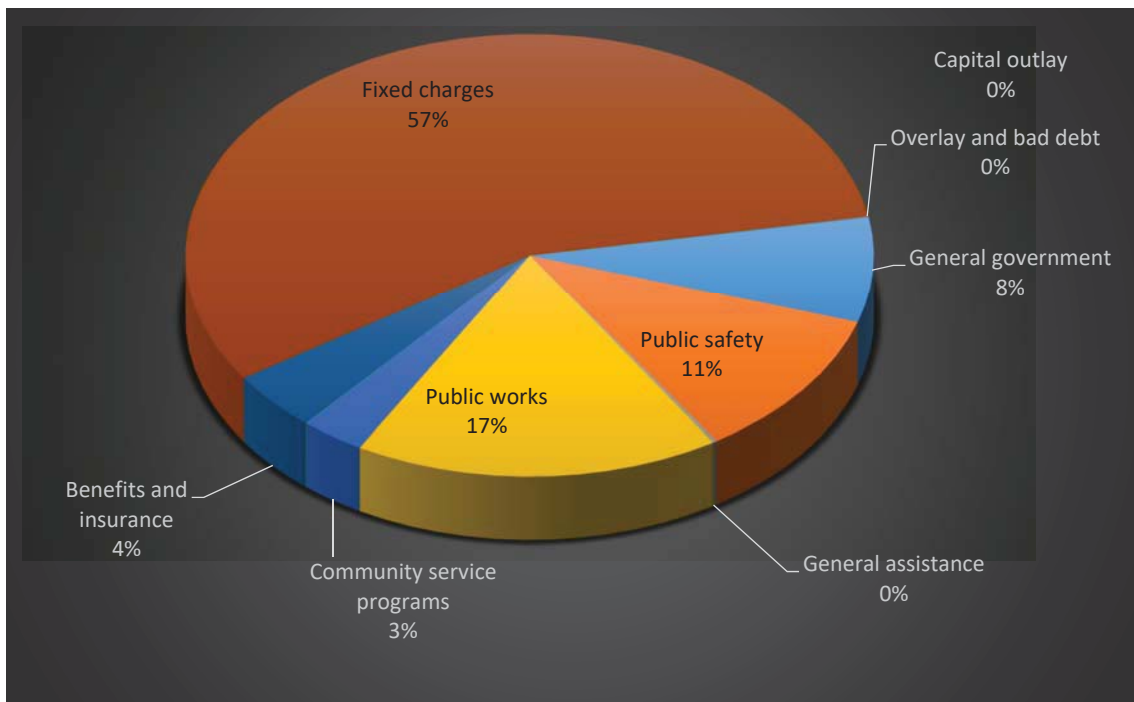


Chart B
Expenses by Program



Analysis of the Town's Governmental Funds

As noted earlier, the Town of Standish uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Town's governmental funds is on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's financial position at the end of the fiscal year.

General Fund

The General Fund's net change in fund balance for the year was a decrease of \$206,273, compared to a fiscal year 2017 increase of \$95,542. The unassigned fund balance had a net decrease for the year of \$203,915, compared to a fiscal year 2017 decrease of \$90,294. The Town's general intention was to decrease unassigned fund balance during the year by approving a budget deficit of \$350,489 (often referred to as a "budgeted use of fund balance") and a transfer of \$149,511 from the unassigned fund balance to the bond levelization reserve. Combined, this was a budgeted decrease of the unassigned fund balance of \$500,000.

As noted in the financial highlights section, the General Fund's unassigned fund balance ended the fiscal year \$337,899 below the minimum target level, as determined by Town policy. Town policy stipulates that when the unassigned fund balance falls outside the target range, the Town will develop a plan, implemented through the annual budgetary process, to bring the balance within the approved range over a period of no more than three (3) years.

Of the other components of the General Fund's fund balance, the most significant changes were in the bond levelization reserve and the creation of a new planning projects reserve. The bond levelization reserve (a committed fund balance) increased by \$65,045 – a combination of setting aside \$63,928 in fund balance to offset future debt service costs and \$1,117 in interest income on reserve monies. The planning projects reserve was created by setting aside \$40,238 of fund balance for future planning projects.

2018 Capital Projects Fund

The 2018 Capital Projects Fund's was created during the fiscal year from issuing \$1,631,115 in new debt to pay for a variety of capital improvement projects. The Town expended a total of \$887,053 on those planned projects during fiscal year 2018 and plan to complete the remaining projects in the coming fiscal years. Each year, the Town budgets for capital improvement projects which are approved at the annual town meeting.

Other Governmental Funds

All other governmental funds are composed of nonmajor special revenue funds, capital projects funds, and permanent funds. Total nonmajor special revenue funds' balances increased by \$28,562, total nonmajor capital projects funds' balances decreased by \$748,445, and total nonmajor permanent funds' balances increased by \$105 – all told, a decrease of \$719,778. Comparatively, for fiscal year 2017, the combined change in fund balances of other governmental funds was a decrease of \$646,668.

The fund balances of nonmajor special revenue funds simply represent unexpended grants, recreation fund monies, and other specially designated funds. The fund balances of nonmajor capital projects funds represent expended bond funds issued for capital improvement projects. The fund balances of nonmajor permanent funds represent non-spendable and restricted portions of funds endowed to the Town for specified uses.

General Fund Budgetary Highlights

The municipal budget approves appropriations for both the General Fund and the Capital Projects Fund. The Capital Projects Fund portion is budgeted to be funded primarily through new bond issues. The original budget, as adopted by the Town on June 17, 2017, budgeted a deficit of \$350,489 that was to be covered by the unassigned fund balance. Additionally, the Town approved an increase in the bond levelization reserve for \$149,511, also to be covered by the unassigned fund balance. Together, they represented an original budgeted use of the unassigned fund balance totaling \$500,000.

The variances between the original budget and the final budget were as follows:

- Of fiscal year 2017's unexpended appropriations, \$66,022 were approved to be carried forward and added to the fiscal year 2018 appropriated budget:
 - General Government increased by \$47,691
 - Public Safety increased by \$9,031
 - Community Service Programs increased by \$3,500
 - Capital Outlays increased by \$5,800
- Fixed Charges increased by \$387,429 due to \$301,501 more in the education assessment than was known at the time of the Town Meeting, \$345 more in the allocation to the TIF District as a result of updated estimates of revenue when the taxes were committed, and \$85,583 more in debt service than was originally calculated at the time of the Town Meeting.
- Overlay and Bad Debts increased by \$3,534 as a result of updated estimates of revenue when the taxes were committed.

As a result of the changes above along with offsetting updated estimates of revenues and property taxes to be committed, the final budget increased the budgeted deficit by \$151,605.

In analyzing comparisons between the final budget and actual results, revenues came in \$135,417 above estimates, driven mostly by supplemental taxes and \$100,341 more in non-property taxes than anticipated.

Overall, actual expenditures were lower than budgeted expenditures by \$155,404. However, two of the budget lines came in over budget: Public Safety was over budget by \$10,663, and Benefits and Insurance was over budget by \$5,924.

Despite the Town budgeting a (final) deficit of \$502,094, the actual deficit was \$206,273 – or, \$295,821 less than was budgeted.

Capital Assets and Long-term Debt Activity

Capital Assets

The Town's investment in capital assets for governmental activities, as of June 30, 2018, has a net book value of about \$32.5 million, made up of costs totaling \$61.3 million less accumulated depreciation of \$28.8 million. This investment includes land, buildings, land improvements, machinery and equipment, and infrastructure. Infrastructure assets are items that are normally immovable and have value only to the Town, such as roads, bridges, streets, sidewalks, drainage systems, lighting systems, and similar items.

The total decrease in the Town's investment in capital assets for the current fiscal year was \$116,805. This is a combination of \$1,755,581 in new acquisitions and constructions less \$1,872,386 in depreciation expense.

The Town disposed of assets with a historical cost of \$247,969, but that had a net book value of \$0. Therefore, no gain or loss was recognized on the disposal and the disposal had no net effect on the net book value of total capital assets. Also, the Town placed into service \$522,987 of construction in progress during the year, which is simply a conversion from construction in progress to the appropriate capital asset accounts and had no net effect.

Table C
Capital Assets Net Book Value Comparisons
As of June 30, 2018 and 2017

	2018	2017	\$ Change	% Change
Land	\$ 797,244	\$ 797,244	\$ -	0.0%
Construction in progress	-	522,987	(522,987)	-100.0%
Buildings	3,368,074	3,191,736	176,338	5.5%
Land improvements	218,920	119,220	99,700	83.6%
Machinery and equipment	2,191,809	2,403,766	(211,957)	-8.8%
Infrastructure	25,888,557	25,546,456	342,101	1.3%
Totals	<u>\$32,464,604</u>	<u>\$32,581,409</u>	<u>\$ (116,805)</u>	-0.4%

Chart C on the following page shows the composition of capital assets and their each classes' relative size to others. Infrastructure is, by far, the largest class of capital assets, making up 80% of total capital assets. The next largest asset class is buildings, at 10%.

Chart D on the following page provides a graphical depiction of how much of each asset class' total cost has been expensed as depreciation, as of June 30, 2018. The entire pie represents total cost, the red portion represents net book value (or, undepreciated cost), and the blue portion represents accumulated depreciation. These charts are designed to show how much of each asset class has been "used up" through depreciation. The more accumulated depreciation relative to net book value (i.e., the more blue the pie becomes), the closer the asset class is, on average, to the end of its useful life. As capital assets age, the Town needs to replace them so that the Town can carry out its services. The pies show that the buildings and land improvements have, on average for the class, relatively young useful lives. Infrastructure, on average, is reaching middle age. And, the machinery and equipment class is over 50% accumulated depreciation, which means individual assets within that class are generally older and closer to the end of their useful lives. This analysis is useful to help assess where capital outlays will need to be made in the future.

Chart C
Composition of Capital Assets

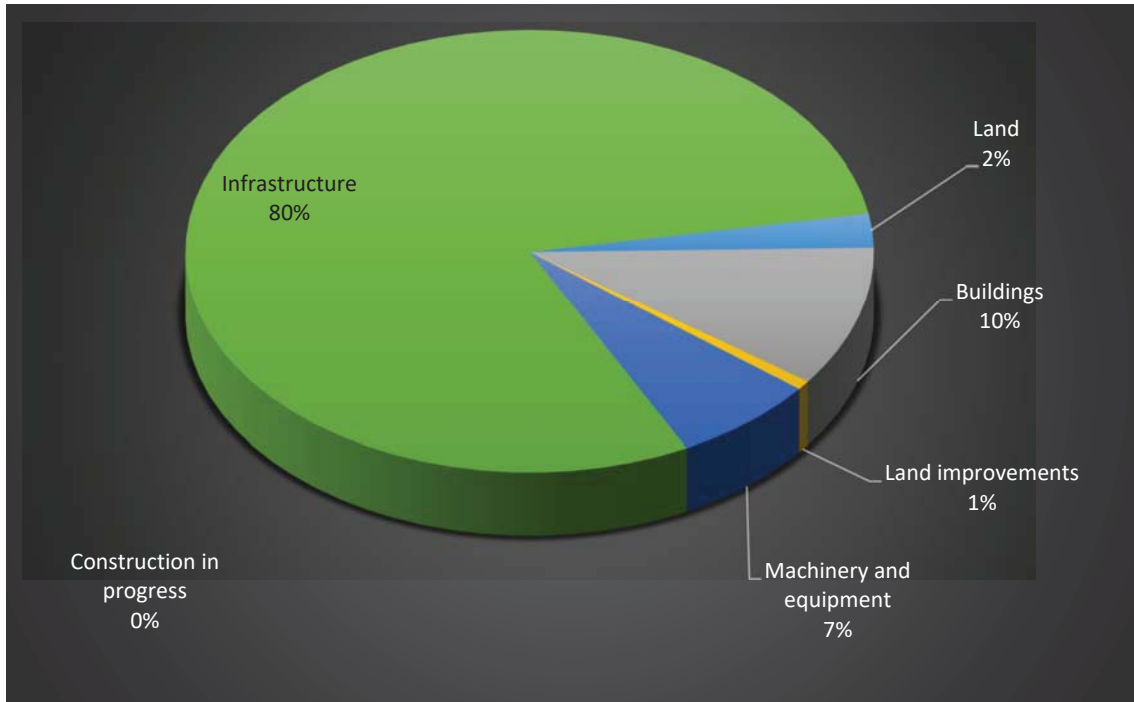
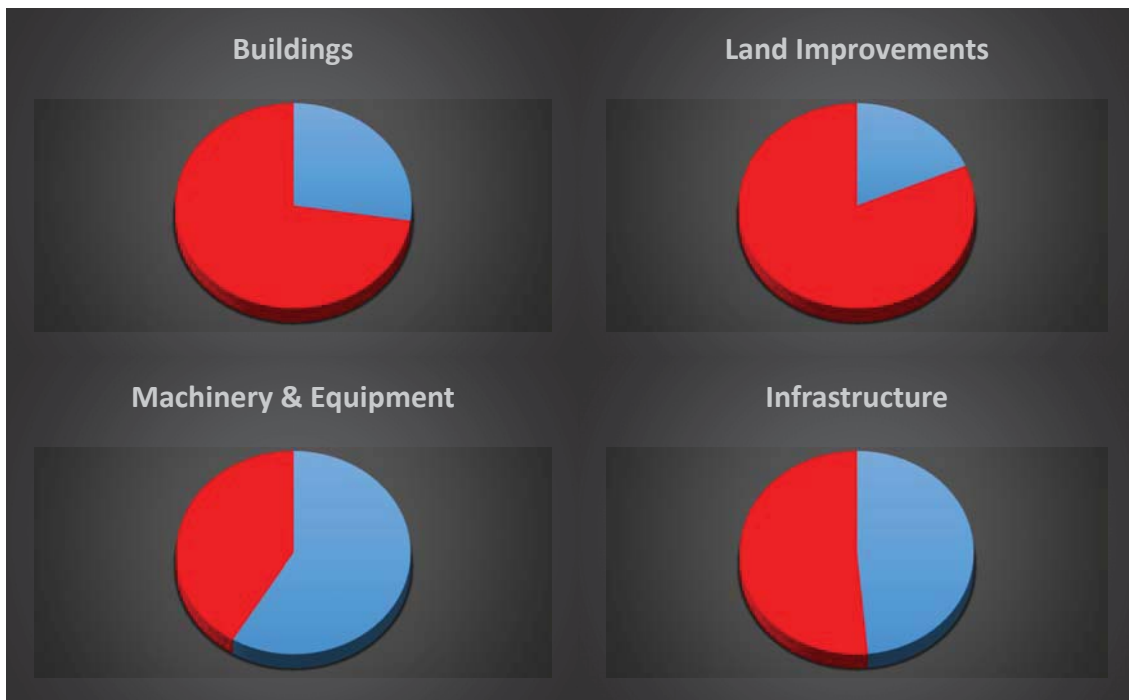


Chart D
Consumption of Capital Assets



Long-term Debt

At the end of the fiscal year, the Town had \$6.6 million in general obligation – an increase of \$656,100 over last year. There was a bond issuance in fiscal year 2018 of \$1,631,115 to fund approved capital projects. The Town paid down its debt during the year in the amount of \$975,015.

All outstanding bonded debt is to be used for capital asset expenditures. Unexpended bond funds remain accounted for in the capital projects funds and will be used to complete projects that have been approved by the Town in prior years. The Town's debt load remains well below the statutory debt limit of 15% of the Town's state valuation, standing at 0.6% as of the end of fiscal year 2018. Likewise, on a per capita basis, the Town's debt was approximately \$649.15, far below a generally acceptable amount of \$1,500 - \$2,000 per capita.

Table D
Long-term Debt Comparisons
As of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>% Change</u>
General obligation bonds	\$ 6,599,244	\$ 5,943,144	\$ 656,100	11.0%

Currently Known Facts, Decisions, or Conditions

Next Year's Budget and Rates

In June 2018, the Town's voters passed its fiscal year 2018 municipal budget in which they approved appropriations of \$9,696,049 for education, \$7,832,862 for municipal services, \$732,639 for county taxes, \$78,997 for allocation to the TIF District, and an estimated \$70,345 in overlay. The Town also approved \$1,879,605 in capital expenditures to be fully funded by issuing general obligation bonds. The Town estimated \$6,486,151 in non-property tax revenue, resulting in a projected tax commitment of \$13,804,346. This represented a \$603,474 (4.6%) increase over fiscal year 2018's tax commitment and an increase in the mill rate from \$13.25 to \$13.69. The actual tax commitment subsequently computed by the Town's assessor and passed by the Council was \$14,096,553 which equated to a mill rate of \$13.90.

The differences between the original June town meeting budget and the final budget resulting from assessor's tax commitment were due to (a) an increase in the budgeted overlay by \$88,062 to account for an estimated increase in abatements based on historical experience and expected valuation adjustments, (b) a net increase in the amounts of homestead exemption and BETE reimbursements by \$92,581, (c) a decrease in the estimated captured assessed value of \$841 from the Town's new Tax Increment Financing district, (d) an increase between estimated property valuations used in the original budget and actual valuations used in the final budget of \$5,140,467, and (e) an increase in the MSAD6 school budget of \$297,570.

The final budgeted municipal appropriations for fiscal year 2019 ended up being \$20,675,287 – 7.23% higher than for fiscal year 2018. Expenditures through the date of this report are on track with budget projections. Of particular interest again this year are expenditures for heating fuel in all relevant departments, which, due to an unusually warm October and beginning of November are all well under budget. In fact, after almost five months of the fiscal year, the fuel expenditure line for heating purposes is only 6.1% expensed, which is a good indicator of heating fuel consumption for the Town. Also, an unexpected change in town management facilitated a manager search which will cause an increase in the general administration line. The departure of the former manager will produce an unusual increase in the employee benefits department for the payout of accrued vacation time for him. The Town is expecting the retirement of one or two long term employees which will also cause the benefits line to increase more than usual. The accrued vacation line is 90% spent as of the date of this report.

Other Items of Note

In November 2018, the Town issued new debt through the Maine Municipal Bond Bank in the amount of \$1,762,500. As noted before, the Town's debt limit is fairly low and this new debt issue does not substantially add to the debt burden.

In fiscal year 2019, the Town made its third contribution of \$78,155 in funds to the newly created TIF District Fund. These funds are captured assessed value from within the District. That is, they are property taxes collected on the incremental value from the base value (2013's assessed value) of property within the District. These property taxes are set aside and will be expended on projects within the District. The Town's goal is to spur business growth in this newly created district. The town expects higher than normal attorney's fees with the separation of the former town manager. No significant payout is expected as the town's liability insurance should adequately cover the town's exposure.

Requests for Information

This financial report is designed to provide a general overview of the Town of Standish'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:

Scott Gesualdi
Finance Director
Town of Standish
175 Northeast Road
Standish, ME 04804
scottg@standish.org

These annual financial reports are also available for download at the Town's website, www.standish.org, and by selecting Finance Department > Audited Financial Reports.

Statement of Net Position

Statement 1

As of June 30, 2018

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 5,800,065
Accounts receivable	229,389
Taxes receivable, net	466,225
Liens receivable	93,816
Lien interest and costs receivable	10,163
Tax acquired property	35,079
Inventory and prepaid expense	69,173
Other assets	<u>160</u>
Total current assets	6,704,070
Land	797,244
Depreciable capital assets	60,483,903
Accumulated depreciation	<u>(28,816,543)</u>
Total capital assets, net of depreciation	<u>32,464,604</u>
Total Assets	39,168,674
Liabilities	
Accounts payable	597,028
Accrued wages	69,299
Customer deposits	10,768
Unearned revenues	130,631
Accrued interest	21,579
Accrued compensated absences	227,416
Long-term debt - due within one year	1,071,902
Long-term debt - due beyond one year	<u>5,527,342</u>
Total Liabilities	7,655,965
Deferred Inflows of Resources	
Taxes collected in advance	<u>6,801</u>
Net Position	
Net investment in capital assets	27,591,225
Restricted for:	
Nonexpendable permanent fund principal	19,958
Expendable permanent fund balances	4,726
Capital projects	1,321,579
Special revenues	32,280
Other externally imposed purposes	111,696
Unrestricted	<u>2,424,444</u>
Total Net Position	<u><u>\$ 31,505,908</u></u>

Statement of Activities

Statement 2

For the Year Ended June 30, 2018

Functions / Programs	Expenses	Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
		Services	Grants and	Changes in
			Contributions	Net Position
				Governmental
				Activities
Primary Government				
Governmental Activities				
General government	\$ 1,435,362	\$ 350,970	\$ 750	\$ (1,083,642)
Public safety	2,048,631	499,617	22,984	(1,526,030)
General assistance	37,269	-	21,854	(15,415)
Public works	3,196,007	155,027	162,012	(2,878,968)
Community service programs	559,996	387,303	5,047	(167,646)
Capital outlay	5,000	-	-	(5,000)
Benefits and insurance	811,447	-	-	(811,447)
Fixed charges	10,550,716	-	-	(10,550,716)
Overlay and bad debt	20,318	-	-	(20,318)
Total Primary Government	\$ 18,664,746	\$ 1,392,917	\$ 212,647	(17,059,182)
		General Revenues		
		Taxes - property		13,233,848
		Taxes - excise		2,000,341
		Intergovernmental		705,594
		Penalties and interest		47,113
		Other revenues		68,829
		Total general revenues		16,055,725
		Change in Net Position		(1,003,457)
		Beginning Net Position		32,509,365
		Ending Net Position		\$ 31,505,908

Balance Sheet

Statement 3

Governmental Funds

As of June 30, 2018

	General Fund	2018 Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 3,568,121	\$ 2,196,119	\$ 35,825	\$ 5,800,065
Accounts receivable	225,252	-	4,137	229,389
Taxes receivable, net	466,225	-	-	466,225
Liens receivable	93,816	-	-	93,816
Lien interest and costs receivable	10,163	-	-	10,163
Tax acquired property	35,079	-	-	35,079
Inventory and prepaid expense	62,308	-	6,865	69,173
Other assets	160	-	-	160
Due from other funds	461,009	-	1,254,480	1,715,489
Total Assets	<u>\$ 4,922,133</u>	<u>\$ 2,196,119</u>	<u>\$ 1,301,307</u>	<u>\$ 8,419,559</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 168,088	\$ -	\$ 428,940	\$ 597,028
Accrued wages	53,648	-	15,651	69,299
Customer deposits	10,768	-	-	10,768
Unearned revenues	12,422	-	118,209	130,631
Due to other funds	260,979	1,442,177	12,333	1,715,489
Total liabilities	505,905	1,442,177	575,133	2,523,215
Deferred Inflows of Resources				
Unavailable property taxes	334,348	-	-	334,348
Taxes collected in advance	6,801	-	-	6,801
Total deferred inflows of resources	341,149	-	-	341,149
Fund Balances				
Nonspendable	62,468	-	19,958	82,426
Restricted	111,696	753,942	604,642	1,470,280
Committed	730,495	-	101,574	832,069
Assigned	451,500	-	-	451,500
Unassigned	2,718,920	-	-	2,718,920
Total fund balances	4,075,079	753,942	726,174	5,555,195
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,922,133</u>	<u>\$ 2,196,119</u>	<u>\$ 1,301,307</u>	<u>\$ 8,419,559</u>

Reconciliation Statement

Statement 4

Total Governmental Fund Balances to the
 Net Position of Governmental Activities
 As of June 30, 2018

Total governmental fund balances, per Statement 3 \$ 5,555,195

Capital assets are not financial resources and, therefore, are not reported in the governmental funds. They are, however, economic resources of governmental activities and are reported in the Statement of Net Position.

Net capital assets 32,464,604

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. They are, however, economic liabilities of governmental activities and are reported in the Statement of Net Position.

Accrued interest (21,579)

Accrued compensated absences (227,416)

Long-term debt (6,599,244)

Taxes that are not expected to be collected within 60 days of the end of the fiscal year and not considered financial resources and, therefore, are excluded from the governmental fund balances. They are, however, considered economic resources of governmental activities and, therefore, are included in the net position.

Unavailable property taxes 334,348

Net position of governmental activities, per Statement 1 \$ 31,505,908

Statement of Revenues, Expenditures, and Changes in Fund Balances

Statement 5

Governmental Funds

For the Year Ended June 30, 2018

	General Fund	2018 Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$15,273,009	\$ -	\$ -	\$15,273,009
Intergovernmental	889,460	-	-	889,460
Licenses and permits	308,568	-	-	308,568
Charges for services	697,043	-	-	697,043
Recreation	-	-	359,927	359,927
Beach passes and fees	27,375	-	-	27,375
Penalties and interest	47,113	-	-	47,113
Other revenues	43,637	11,961	42,015	97,613
Total revenues	<u>17,286,205</u>	<u>11,961</u>	<u>401,942</u>	<u>17,700,108</u>
Expenditures				
General government	1,382,518	33,340	-	1,415,858
Public safety	1,794,186	256,468	33,516	2,084,170
General assistance	37,269	-	-	37,269
Public works	1,753,088	532,557	698,964	2,984,609
Community service programs	167,493	64,649	386,740	618,882
Capital outlay	5,000	-	-	5,000
Benefits and insurance	811,447	-	-	811,447
Fixed charges	11,523,659	-	-	11,523,659
Overlay and bad debt	20,318	-	-	20,318
Total expenditures	<u>17,494,978</u>	<u>887,014</u>	<u>1,119,220</u>	<u>19,501,212</u>
Revenue Deficit	(208,773)	(875,053)	(717,278)	(1,801,104)
Other Financing Sources (Uses)				
Bond proceeds	-	1,631,115	-	1,631,115
Transfers in	5,000	-	2,500	7,500
Transfers out	(2,500)	-	(5,000)	(7,500)
Total other financing sources (uses)	<u>2,500</u>	<u>1,631,115</u>	<u>(2,500)</u>	<u>1,631,115</u>
Net Change in Fund Balances	(206,273)	756,062	(719,778)	(169,989)
Beginning Fund Balances	<u>4,281,352</u>	<u>(2,120)</u>	<u>1,445,952</u>	<u>5,725,184</u>
Ending Fund Balances	<u>\$ 4,075,079</u>	<u>\$ 753,942</u>	<u>\$ 726,174</u>	<u>\$ 5,555,195</u>

Reconciliation Statement

Statement 6

Net Change in Fund Balances of Governmental Funds
to the Change in Net Position of Governmental Activities
For the Year Ended June 30, 2018

Net change in fund balances of governmental funds, per Statement 5 **\$ (169,989)**

Issuance of new debt is reported as an other financing source in the governmental funds, but is not reported as revenue for governmental activities. Instead, it is reported as increases in long-term debt in the Statement of Net Position.

Bond proceeds (1,631,115)

Repayment of debt principal is reported as expenditures in the governmental funds, but is not reported as expenses of governmental activities. Instead, it is reported as reductions in long-term debt in the Statement of Net Position.

Bond payments 975,015

Capital assets acquired during the year are reported as expenditures in the governmental funds, but are not reported as expenses of governmental activities. Instead, they are reported as increases in capital assets in the Statement of Net Position.

Capital asset acquisitions 1,755,582

Taxes not collected within sixty days after year end are not considered available financial resources and, therefore, not reported as revenue in the governmental funds. However, they are reported as revenue in the Statement of Activities.

Decrease in unavailable property taxes (38,820)

Certain expenses and expense adjustments reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Depreciation expense (1,872,386)

Decrease in accrued interest expense (2,072)

Increase in accrued compensated absences (19,672)

Change in net position of governmental activities, per Statement 2 **\$ (1,003,457)**

Statement of Fiduciary Net Position

Statement 7

Fiduciary Funds
As of June 30, 2018

Assets

Cash

Agency Fund

\$ 582,853

Liabilities

Due to third parties

\$ 582,853

Note 1 Summary of Significant Accounting Policies

The Reporting Entity

The Town of Standish, Maine, incorporated in 1785, operates under a Council-Manager form of government adopted by charter in 1987. The Council consists of seven members elected by the registered voters for overlapping terms of three years. The financial statements of the Town of Standish conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Town are discussed below.

Principles Determining Scope of Reporting Entity

In evaluating the Town as a reporting entity, management has addressed all potential component units for which the Town may or may not be financially accountable and, as such, be includable within the Town's basic financial statements. In accordance with GASB, the Town (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the Town. The Town also is financially accountable for organizations that are fiscally dependent on it and there is a financial benefit or burden relationship. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete.

Based on the application of these criteria, there are no other entities within the Town that should be included as part of these basic financial statements.

Basis of Presentation

The Town's basic financial statements consist of government-wide financial statements that describe the Town's overall financial position and changes in financial position, and fund financial statements that provide a more detailed level of financial information.

Government-Wide Financial Statements

The government-wide financial statements, composed of the Statement of Net Position and the Statement of Activities, report information on all of the non-fiduciary activities of the Town. Governmental activities are normally supported by taxes and intergovernmental revenues.

The Statement of Net Position presents the financial condition of the governmental activities of the Town at year end. The Statement of Activities points out the extent to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are specifically associated with a function, service, program, or department. 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 requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from general revenues of the Town.

Note 1 Summary of Significant Accounting Policies (Continued)*Fund Financial Statements*

The financial transactions of the Town are reported in 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, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The Town currently uses two categories of funds: governmental funds and fiduciary funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Major individual governmental funds are reported as separate columns in the fund financial statements. The Town's governmental funds are identified as either general, special revenue, capital projects, or permanent funds based upon the following guidelines.

The *General Fund* is the operating fund of the Town and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific sources that are legally restricted to expenditures for specified purposes. None of the special revenue funds is considered a major fund in the current year.

The *Capital Projects Fund* is used to account for financial resources to be used for the acquisition or construction of major capital assets that are primarily financed through bond issues. The 2018 Capital Projects Fund is a major fund in the current year.

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs—that is, for the benefit of the town or its citizenry. Neither of the two permanent funds is considered a major fund in the current year.

Fiduciary funds are used to account for resources in which the Town acts as an agent or trustee. The Town currently maintains one type of fiduciary fund – an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurements or results of operations. These funds are not incorporated into the government-wide statements.

Measurement Focus and Basis of Accounting

Measurement focus refers to which of the Town's resources are being measured. Basis of accounting refers to the timing of the measurements being made, regardless of the measurement focus being applied. That is, basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

Government-wide financial statements and fiduciary fund financial statements are reported using the economic measurement focus and the accrual basis of accounting. All economic resources and claims on those economic resources are measured, including fixed assets, other non-current assets, and long-term liabilities. Under the accrual basis of accounting, 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 period 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.

Note 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. The current financial resources measurement focus excludes from measurement resources such as fixed assets, other non-current assets, and long-term liabilities. Under modified accrual 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. The Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

Interfund Transactions

During the course of normal operations, transactions occur between individual funds. Interfund transactions are classified depending on the nature of the transaction.

Interfund loans are recorded as receivables and payables and are presented as “due from other funds” and “due to other funds,” respectively, on the balance sheets of the fund financial statements. For reporting purposes, current amounts due from and due to the same funds are offset and the net amounts are shown in the respective fund balance sheets. Non-fiduciary interfund loans are eliminated in the government-wide financial statements.

Interfund services provided and used are recorded as revenues in the fund providing the goods or services and as expenditures/expenses in the fund receiving the goods or services. Any unpaid amounts are recorded as receivables and payables and presented in the same manner as interfund loans.

Interfund transfers are flows of assets from one fund to another without equivalent flows of assets in return. Interfund transfers are recorded and are presented as “transfers in” and “transfers out” in the fund financial statements. In the governmental funds, these transfers are reported as other financing sources and uses.

Interfund reimbursements are repayments from funds responsible for particular expenditures/expenses to funds that initially paid for them. Reimbursements are not displayed in the financial statements.

Cash and Cash Equivalents

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition. Maine statutes authorize investments in obligations of the U. S. Treasury and U. S. Agencies, and repurchase agreements.

Receivables

Receivables consist of all revenues recognized by year-end (on the applicable basis of accounting) but not yet received. Management's estimation for allowances for uncollectible accounts is based on historical collection rates or, where appropriate, collection experience with specific payers.

Inventory

Inventory is valued at cost and consists of sand, gravel, salt, and other chemicals and materials used in road maintenance.

Note 1 Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include land, land improvements, buildings, machinery and equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the government-wide financial statements. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation. The Town defines capital assets as those with an initial, individual cost of \$5,000 or more with an estimated useful life in excess of two years. Expenditures that significantly increase the service capacity or extend the useful life of existing capital assets are also capitalized. The costs of normal maintenance and repairs are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives. Land and construction in progress are not depreciated. The estimated useful lives are as follows:

Land improvements	20 - 30 years
Buildings	10 - 60 years
Machinery and equipment	5 - 25 years
Infrastructure	5 - 40 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

Deferred Outflows / Inflows of Resources

In addition to assets, the Statement of Net Position (government-wide financial statements) and Balance Sheet (fund financial statements) will sometimes report an additional financial statement element called *deferred outflows of resources*. This element represents a consumption of resources that applies to a future period and, therefore, will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently has no deferred outflows of resources.

In addition to liabilities, the Statement of Net Position (government-wide financial statements) and Balance Sheet (fund financial statements) will sometimes report an additional financial statement element called *deferred inflows of resources*. This element represents an acquisition of resources that applies to a future period and, therefore, will not be recognized as an inflow of resources (revenue) until that time. In the government-wide financial statements, the Town's deferred inflows of resources consist solely of property taxes collected in advance. In the fund financial statements, due to requirements under the modified accrual basis of accounting, deferred inflows of resources also include unavailable property taxes (property taxes not collected within 60 days after the financial statement date).

Compensated Absences

In the government-wide financial statements, liabilities that are attributable to services already rendered are accrued as employees earn the rights to the benefits and are recognized in the period incurred. In the governmental fund financial statements, compensated absences are recognized as related payments come due each period. Pursuant to the terms of the personnel policies, vacation time and sick time is granted in varying amounts according to length of service.

Note 1 Summary of Significant Accounting Policies (Continued)

Long-Term Obligations

Long-term debt is recognized as a liability in a governmental fund when due. For long-term obligations, only that portion expected to be financed from expendable financial resources is reported as a fund liability of a governmental fund. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

Components of Net Position

Net position in the government-wide Statement of Net Position is required to be classified into the following three components:

Net Investment in Capital Assets is the portion of net position that consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Capital assets	\$ 61,281,147
Accumulated depreciation	(28,816,543)
Bonds and notes payable	(6,599,244)
Accrued interest	(21,579)
Unspent bond proceeds	<u>1,747,444</u>
Net investment in capital assets	<u>\$ 27,591,225</u>

Restricted is the portion of net position that has constraints placed on its use which are either externally imposed by debt covenants, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted is the portion of net position that does not meet the definition of either *net investment in capital assets* or *restricted*.

Fund Balance Components

Fund balances in the governmental funds Balance Sheet is required to be classified into five components. Classifications are hierarchical and are based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. The components of fund balance are:

Nonspendable is the portion of fund balance that represents amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact.

Restricted is the portion of fund balance that has externally enforceable legal restrictions.

Committed is the portion of fund balance that represents resources whose use is constrained by limitations that the government imposes upon itself at its highest level of decision making and that remain binding unless removed in the same manner.

Note 1 Summary of Significant Accounting Policies (Continued)

Assigned is the portion of fund balance constrained by the town's "intent" to be used for specific purposes, but are neither restricted nor committed. The Town Council and Town Manager have the authority to assign amounts to be used for specific purposes.

Unassigned is the portion of fund balance that is available for any purpose. Only the General Fund is allowed to carry a positive unassigned fund balance.

The Town has no formal revenue spending policy for programs with multiple revenue sources. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

It is the policy of the Town to maintain unassigned fund balance in the general fund at 16.67%, or two twelfths, of the approved appropriation for the municipal budget, the Town's portion of MSAD #6 local assessment, county tax, and the overlay – the "target level." In the event that the unassigned fund balance drops below this level, the Town will develop a plan, implemented through the annual budgetary process, to bring the balance to the target level over a period of no more than three (3) years. Any excess in the unassigned fund balance identified in the Town's audited financial statements that exceeds the target level above may be used to adjust the mil rate upon the recommendation of the Town Manager and the Town Council with the approval of the Town Meeting.

Revenue Recognition

As described previously, the government-wide financial and fiduciary fund financial statements are reported on the accrual basis of accounting. Under this method, revenue is recognized in the period earned, regardless of the timing of cash flows. Property taxes and special assessments are recognized in the fiscal year for which they are certified for levy; penalties are recognized in the period assessed; interest is recognized in the period earned. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. Expenditure-driven grants are recognized when the qualifying expenditures have been incurred and all other grant requirements have been met. Charges for services and other exchange and exchange-like transactions are recognized when the exchange takes place.

The governmental fund financial statements are reported on the modified accrual basis of accounting. Under this method, revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property taxes, special assessments, intergovernmental revenue, penalties, interest, and charges for services are susceptible to accrual, given the measurable and available requirement. Excise taxes, licenses, permits, fees, and miscellaneous revenue are not susceptible to accrual because they are not measurable until collected. Such revenue is recorded only when received.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance.

Unearned Revenue

Resources received in advance are recorded as unearned revenues. Unearned revenues arise when resources are received by the Town before it has a legal claim to them. In subsequent periods, when both the measurable and available criteria are met, or when the Town has legal claim to the resources, the liability for unearned revenue is reduced and revenue is recognized.

Note 1 Summary of Significant Accounting Policies (Continued)

Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets, liabilities, the disclosure of contingent liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

Note 2 Cash

Custodial Credit Risk

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

The Town's policy is that deposits and investment of funds can only be made in financial institutions that are insured by the FDIC or the FSLIC. Any funds deposited or invested above the \$250,000 insurance limit must be collateralized by the financial institution, or the excess funds must be placed with other financial institutions. As of June 30, 2018, of the Town's \$5,871,694 in bank deposits, \$3,118,096 was insured by the FDIC, and the remaining \$2,753,598 was insured by an irrevocable standby letter of credit.

Note 3 Accounts, Taxes, and Liens Receivable

Accounts receivable as of June 30, 2018 is \$229,389. Of this amount, approximately 75% are amounts due from the State of Maine for various grants, reimbursements, revenue sharing, and general assistance. Management believes the collectability of all remaining receivables is reasonably assured and, therefore, has not provided for an allowance for uncollectible accounts.

Taxes receivable include personal property taxes that cannot be lienied and are long past due. For these amounts, management has estimated an allowance for uncollectible accounts. Taxes receivable are reported net of this allowance on the financial statements. The net amount is calculated as follows:

Taxes receivable - current year	\$ 464,238
Taxes receivable - prior years	7,887
Allowance for uncollectible accounts	<u>(5,900)</u>
Taxes receivable, net	<u>\$ 466,225</u>

Liens receivable as of June 30, 2018 is \$122,230. Management believes the collectability of these accounts is reasonably assured and, therefore, has not provided for an allowance for uncollectible accounts.

Note 4 Property Tax

The Town's property taxes for the July 1, 2017 to June 30, 2018 fiscal year were committed on September 12, 2017. Taxes were due semi-annually on November 15, 2017 and May 15, 2018. Unpaid taxes are charged interest of 7% per annum. The tax commitment was based on the April 1, 2017 assessed real estate and personal property values totaling \$994,254,464.

The Town is permitted by the laws of the State of Maine to levy taxes 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 \$70,345 for the year ended June 30, 2018.

For both government-wide financial statements and the General Fund's financial statements, property taxes levied for the fiscal year are recorded as receivables at the time the levy is made. In the General Fund's financial statements, however, outstanding taxes receivable that are estimated to be collected after sixty (60) days after the end of the fiscal year recorded as unavailable property taxes (under the *deferred inflows of resources* financial statement element) and the year-over-year changes in this account are netted with tax revenues.

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 acquired by foreclosure for non-payment of taxes is recorded at the amount of expired tax liens plus the cost involved in foreclosure. Liens and any current taxes on the same parcel are not included as part of the tax acquired property account until expiration of statutory time limits.

The following summarizes the tax levy for fiscal year 2018:

Real estate valuation	\$ 988,366,459
Personal property valuation	<u>5,888,005</u>
Total valuation	994,254,464
 Tax rate (per \$1,000 of valuation)	 <u>13.25</u>
 Tax commitment	 <u>\$ 13,173,872</u>

Collection of fiscal year 2018 taxes levied is as follows:

Original tax commitment	\$ 13,173,872
Supplemental taxes	<u>59,976</u>
Total tax commitment	13,233,848
Less:	
Abatements of current year taxes	20,022
Current year taxes receivable at year end	<u>464,238</u>
 Current year tax collections	 <u>\$ 12,749,588</u>
 Collection rate of current year taxes	 96.5%

Note 5 Interfund Transactions**Interfund Receivables and Payables**

Individual interfund receivable and payable balances at June 30, 2018 are as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General fund	\$ 461,009	\$ 260,979
Capital projects fund	-	1,442,177
Nonmajor special revenue funds	236,295	12,333
Nonmajor capital projects funds	993,501	-
Nonmajor permanent funds	24,684	-
Totals	<u>\$ 1,715,489</u>	<u>\$ 1,715,489</u>

The interfund receivables and payables represent revenues received in and expenditures made out of a centralized checking account maintained in the general Fund. The general fund's *due to other funds* balance represents the amount in the centralized checking account that belongs to other funds and is not available for general fund purposes.

Interfund Transfers

Interfund transfers for the year ended June 30, 2018 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 5,000	\$ 2,500
Nonmajor special revenue funds	2,500	5,000
Totals	<u>\$ 7,500</u>	<u>\$ 7,500</u>

Transfers in to the General fund from other funds consisted of \$5,000 from the TIF Fund. Transfers from the general fund to other funds consisted of \$2,500 to the Public Safety fair special revenue fund.

Note 6 Capital Assets

Capital asset activity for the year ended June 30, 2018 was:

	Beginning Balance	Additions	Reductions	Ending Balance
Non-depreciable Capital Assets				
Land	\$ 797,244	\$ -	\$ -	\$ 797,244
Construction in progress	522,987	-	(522,987)	-
Depreciable Capital Assets				
Buildings	4,381,254	255,036	-	4,636,290
Land improvements	161,042	108,068	-	269,110
Machinery and equipment	5,438,682	113,774	(247,969)	5,304,487
Infrastructure	48,472,325	1,801,691	-	50,274,016
Total capital assets	59,773,534	2,278,569	(770,956)	61,281,147
Less: Accumulated Depreciation				
Buildings	1,189,518	78,698	-	1,268,216
Land improvements	41,822	8,368	-	50,190
Machinery and equipment	3,034,917	325,730	(247,969)	3,112,678
Infrastructure	22,925,869	1,459,590	-	24,385,459
Total accumulated depreciation	27,192,126	1,872,386	(247,969)	28,816,543
Net capital assets	<u>\$ 32,581,408</u>	<u>\$ 406,183</u>	<u>\$ (522,987)</u>	<u>\$ 32,464,604</u>

The Town retired assets with a historical cost of \$247,969 and a net book value of \$0. Additionally, the Town completed projects that were in progress in the prior year resulting in a reduction of \$522,987 of construction in progress assets and an offsetting addition in depreciable capital assets. New capital asset additions in the current year were \$1,755,582.

Depreciation expense, reported only in the government-wide financial statements, was charged to governmental functions as follows:

General government	\$ 66,750
Public safety	213,562
Public works	1,567,091
Community service	<u>24,983</u>
Total depreciation expense	<u>\$ 1,872,386</u>

Note 7 Long-Term Debt

The following is a summary of long-term debt transactions of the Town for the year ended June 30, 2018:

	Bonds Payable
Beginning balance	\$ 5,943,144
New debt issues	1,631,115
Principal payments	<u>(975,015)</u>
Ending balance	6,599,244
Amounts due within one year	<u>(1,071,902)</u>
Amounts due beyond one year	<u>\$ 5,527,342</u>

Interest expenditures on long-term debt for the year were \$122,730.

The annual requirement to amortize debt outstanding as of June 30, 2018 is as follows:

	Principal	Interest	Payment
Fiscal Year 2019	\$ 1,071,902	\$ 118,408	\$ 1,190,310
Fiscal Year 2020	950,827	102,233	1,053,060
Fiscal Year 2021	950,827	86,868	1,037,695
Fiscal Year 2022	784,227	72,131	856,358
Fiscal Year 2023	643,952	58,438	702,390
Fiscal Year 2024-2028	<u>2,197,509</u>	<u>101,854</u>	<u>2,299,363</u>
Totals	<u>\$ 6,599,244</u>	<u>\$ 539,932</u>	<u>\$ 7,139,176</u>

In accordance with 30-A MRSA, Section 5702, as amended, no municipality shall incur debt (a) for school purposes in excess of 10% of its last full state valuation, (b) for storm or sanitary sewer purposes in excess of 7.5% of its last full state valuation, (c) for municipal airport and special district purposes in excess of 3% of its last full state valuation, and (d) for all other purposes in excess of 7.5% of its last full state valuation. In total, a municipality's debt may not exceed 15% of its last full state valuation. The Town's last full state valuation, dated January 22, 2018, was \$1,054,250,000.

At June 30, 2018, the Town only carried debt in the "all other purposes" category. The Town's debt limit for that category of debt was \$79,068,750. The Town's total outstanding debt of \$6,599,244, therefore, is only 8.3% of its total allowable limit.

Note 7 Long-Term Debt (Continued)

General long-term debt details and outstanding balances are as follows:

General obligation bonds issued October 2008, totaling \$1,210,750; annual principal payments of \$121,075 due in November; semi-annual interest payable in November and May; variable interest rate from 2.08% to 5.75% per annum; matures November 2018.	\$ 121,075
General obligation bonds issued October 2010, totaling \$726,000; annual principal payments of \$121,000 due in November; semi-annual interest payable in November and May; variable interest rate from 2.12% to 3.62% per annum; matures November 2020.	363,000
General obligation bonds issued October 2011, totaling \$1,402,746; annual principal payments of \$140,275 due in November; semi-annual interest payable in November and May; variable interest rate from 0.50% to 5.50% per annum; matures November 2021.	561,099
General obligation bonds issued October 2013, totaling \$1,030,546; annual principal payments of \$103,055 due in November; semi-annual interest payable in November and May; variable interest rate from 0.45% to 3.12% per annum; matures November 2023.	618,328
General obligation bonds issued May 2015, totaling \$1,088,719; annual principal payments of \$108,872 due in November; semi-annual interest payable in November and May; variable interest rate from 0.35% to 2.74% per annum; matures November 2025.	870,975
General obligation bonds issued October 2015, totaling \$1,461,746; annual principal payments of \$168,975 due in November for fiscal years through 2021; annual principal payments of \$123,375 due in November for fiscal years 2022 through 2026; semi-annual interest payable in November and May; variable interest rate from 0.65% to 2.83% per annum; matures November 2025.	1,123,797
General obligation bonds issued October 2016, totaling \$1,455,395; annual principal payments of \$145,540 due in November; semi-annual interest payable in November and May; variable interest rate from 1.16% to 2.13% per annum; matures November 2026.	1,309,855
General obligation bonds issued October 2017, totaling \$1,631,115; annual principal payments of \$163,112 due in November; semi-annual interest payable in November and May; variable interest rate from 1.34% to 2.52% per annum; matures November 2027.	<u>1,631,115</u>
Total Outstanding Long-term Debt	<u>\$ 6,599,244</u>

Note 8 Short-Term Debt Obligations

During the year, the Town issued \$1,793,000 and \$2,197,000 in tax anticipation notes for working capital needs. These notes were paid in full during the year.

Total interest paid on short-term obligations for the year ended June 30, 2018 was \$7,383.

Note 9 Overlapping Debt

The Town's proportionate share of Cumberland County's and Maine School Administrative District No. 6's bonded debt are not reported in the Town's financial statements. Debt service is included in the annual County and School assessments to the Town. The Town's share is \$851,641, or 2.39%, of Cumberland County's outstanding debt of \$35,585,000, and \$5,854,635, or 38.3%, of Maine School Administrative District No. 6's outstanding bonded debt of \$15,286,254.

Note 10 Contingent Liability**Litigation**

The Town is subject to certain legal proceedings and claims which arise in the ordinary course of conducting its activities. In the opinion of management, the Town has defensible positions and any ultimate liabilities are covered by insurance or will not materially affect the financial position of the Town.

State and Federal Grants

The Town participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Town has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the Town, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Note 11 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 or participates in a public entity risk pool. Currently, the Town participates in a public entity risk pool sponsored by the Maine Municipal Association.

Based on coverage provided by the pool, 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, 2018.

Note 12 Outside Compensation Funds

The Town maintains a worker's compensation fund and an unemployment compensation fund as part of a pool with Maine Municipal Association (MMA). Contributions are made by the Town during the year and are invested by MMA to administer workers' compensation and unemployment benefits for the Town, if any. The Town has a positive experience, that is, contributions and income exceed payment of benefits. These plans do not allow for retroactive premium adjustment by the pool and the pool retains the risk of loss. Therefore, these amounts are not part of the Town's financial statements.

Note 13 Components of the General Fund's Fund Balance

The General Fund's unassigned fund balance as of June 30, 2018 is \$2,718,920. The remainder of the General Fund's fund balance is composed of the following:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
Inventories	\$ 55,148	\$ -	\$ -	\$ -
Prepaid expenses	7,160	-	-	-
Other	160	-	-	-
Impact fees	-	108,764	-	-
G Spenser fund	-	1,418	-	-
J Mucci fund	-	1,514	-	-
Donations	-	-	910	-
Dog park	-	-	450	-
Voting machine	-	-	8,013	-
Summer rec scholarship	-	-	5,008	-
Community center	-	-	23,468	-
Conservation	-	-	8,971	-
Government access	-	-	27,070	-
Skate park	-	-	2,188	-
Bond levelization	-	-	540,556	-
Economic development	-	-	73,623	-
Planning projects	-	-	40,238	-
Budgeted deficit	-	-	-	450,000
Carry forwards	-	-	-	1,500
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 62,468</u>	<u>\$ 111,696</u>	<u>\$ 730,495</u>	<u>\$ 451,500</u>

Note 14 Retirement Plan

The Town participates in a 401(a) money purchase retirement plan on behalf of each full-time non-union employee. The plan is a defined contribution plan and is administered by the ICMA Retirement Corporation. The funds are invested in the ICMA Retirement Trust, a trust established by public employers for the collective investment of funds held under their retirement and deferred compensation plan. The Town contributes 6% of each qualified employees' earnings for the plan year on condition that each qualified participant contributes 2% of their earnings to the plan. For the fiscal year ending June 30, 2018, the Town's share of the retirement contributions on behalf of the qualified employees amounted to \$93,189. Participants are not fully vested until the fifth year of participation.

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

Note 15 Subsequent Events

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through December 10, 2018, the date the financial statements were available to be issued.

In November 2018, the Town Council approved a tax anticipation note (TAN) not to exceed \$1,841,000. Additionally, a supplemental TAN for \$1,000,000 was authorized against which only \$300,000 was borrowed. TAN proceeds are used for the working capital needs until tax payments start flowing in. Management intends the note to be fully paid before the end of the calendar year.

In November 2018, a new 10-year general obligation bond was issued in the amount of \$1,762,500 to fund approved capital projects.

Budgetary Comparison Schedule

Schedule 1

General Fund ▪ Budgetary Basis

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Property Taxes	\$12,948,362	\$13,173,872	\$13,272,668	\$ 98,796
Non-Property Taxes	1,900,000	1,900,000	2,000,341	100,341
Intergovernmental	809,551	889,421	889,460	39
Licenses and Permits	314,700	314,700	308,568	(6,132)
Charges for Services	708,245	708,245	697,043	(11,202)
Beach passes and fees	48,250	48,250	27,375	(20,875)
Penalties and Interest	58,100	58,100	47,113	(10,987)
Other Revenues	58,200	58,200	43,637	(14,563)
Total revenues	16,845,408	17,150,788	17,286,205	135,417
Expenditures				
General government	1,403,752	1,451,443	1,382,518	68,925
Public safety	1,774,492	1,783,523	1,794,186	(10,663)
General assistance	42,056	42,056	37,269	4,787
Public works	1,780,908	1,780,908	1,753,088	27,820
Community service programs	183,624	187,124	167,493	19,631
Capital outlay	-	5,800	5,000	800
Benefits and insurance	805,523	805,523	811,447	(5,924)
Fixed charges	11,136,231	11,523,660	11,523,659	1
Overlay and bad debt	66,811	70,345	20,318	50,027
Total expenditures	17,193,397	17,650,382	17,494,978	155,404
Revenue Surplus (Deficit)	(347,989)	(499,594)	(208,773)	290,821
Other Financing Sources (Uses)				
Transfers in from other funds	-	-	5,000	(5,000)
Transfers out to other funds	(2,500)	(2,500)	(2,500)	-
Total other financing	(2,500)	(2,500)	2,500	(5,000)
Net Change in Fund Balance	<u>\$ (350,489)</u>	<u>\$ (502,094)</u>	<u>\$ (206,273)</u>	<u>\$ 295,821</u>
Net Change in Fund Balance				
Nonspendable	\$ -	\$ -	\$ 8,608	
Restricted	-	-	(1,888)	
Committed	149,511	63,928	105,444	
Assigned	(500,000)	(566,022)	(114,522)	
Unassigned	-	-	(203,915)	
	<u>\$ (350,489)</u>	<u>\$ (502,094)</u>	<u>\$ (206,273)</u>	

Budgetary Comparison Schedule

Schedule 2

Recreation Special Revenue Fund ▪ Budgetary Basis

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Recreation Fund Revenues				
Summer program	\$ 113,000	\$ 113,000	\$ 119,568	\$ 6,568
Vacation week programs	8,750	8,750	10,345	1,595
Soccer	6,500	6,500	5,455	(1,045)
Basketball	1,500	1,500	835	(665)
Special programs	20,000	20,000	17,881	(2,119)
Before and after school program	153,990	153,990	182,479	28,489
Adult and senior programs	16,000	16,000	15,947	(53)
Summer spectacular	4,500	4,500	7,178	2,678
Dog park donations	-	-	10	10
Other income	-	-	229	229
Total revenue	324,240	324,240	359,927	35,687
Recreation Fund Expenditures				
Salaries	232,183	232,183	231,981	202
Telephone	850	850	779	71
Postage and printing	-	-	2,372	(2,372)
Contractual	13,975	13,975	17,600	(3,625)
Summer program	26,650	26,650	20,926	5,724
Vacation week programs	2,000	2,000	2,756	(756)
Soccer	3,650	3,650	3,093	557
Basketball	1,325	1,325	243	1,082
Special programs	15,000	15,000	12,519	2,481
Before and after school programs	11,100	11,100	11,911	(811)
Adult and senior programs	12,000	12,000	17,089	(5,089)
Summer spectacular	4,500	4,500	8,902	(4,402)
Fuels and vehicle maintenance	3,000	3,000	884	2,116
Other commodities	600	600	718	(118)
New equipment	-	-	747	(747)
Total capital project expenditures	326,833	326,833	332,520	(5,687)
Net Change in Fund Balance	<u>\$ (2,593)</u>	<u>\$ (2,593)</u>	<u>\$ 27,407</u>	<u>\$ 30,000</u>

Note 1 Budgetary Accounting

On an annual basis, the Town legally adopts appropriated budgets for the General Fund and the Recreation Special Revenue Fund. Formal budgetary integration is employed as a management control device. Schedules 1 and 2 are prepared on budgetary basis of accounting that could differ from the modified accrual basis of accounting used to prepare the respective governmental fund financial statements. However, for the fiscal year ended June 30, 2018, there were no differences between the budgetary basis of accounting and the modified accrual basis of accounting.

Note 2 General Fund Budgeted Deficits

For fiscal year 2018, the Town adopted an original budget with a deficit of \$350,489 and an approved increase to the bond levelization reserve by \$149,511, totaling \$500,000. The deficit and reserve increase were to be funded by the General Fund's assigned fund balance.

The final budget added \$66,022 to the budgeted deficit due to the approval of fiscal year 2017 unexpended appropriations being carried forward to be expended in fiscal year 2018. Additionally, the final budget included \$85,583 more in debt service than originally planned due to final numbers from the Maine Municipal Bond Bank being higher than calculated. This additional amount, however, was offset by a reduction in the amount to be added to the bond levelization reserve (dropping from \$149,511, as budgeted, to \$63,928), and therefore no net effect on the use of fund balance.

As a result of the above, the final budgeted deficit was \$502,094 along with an approved increase in the bond levelization reserve by \$63,928, totaling \$566,022 in a budgeted use of fund balance.

During the year, actual performance resulted in a deficit of \$206,273.

Note 3 Budget Line Over-expenditures

For fiscal year 2018, the Town over-expended Public Safety budget line by \$10,663, which translates to a 0.6% overage of the final budget. The Town over-expended the Benefits and Insurance budget line by \$5,924, which translates to a 0.7% overage of the final budget.

In total, the Town came in under its total budgeted expenditures by \$155,404, which translates to 0.9% under the total final budget.

Budgetary Comparison Schedule

Schedule 3

2018 Capital Projects Fund ▪ Budgetary Basis

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Interest income	\$ -	\$ -	\$ 11,961	\$ 11,961
Capital Project Expenditures				
General administration	60,500	60,500	33,340	27,160
Public safety	385,400	385,400	256,468	128,932
Parks and recreation	75,000	75,000	64,649	10,351
Public works	182,000	182,000	-	182,000
Highway roads	928,215	928,215	532,557	395,658
Total capital project expenditures	<u>1,631,115</u>	<u>1,631,115</u>	<u>887,014</u>	<u>744,101</u>
Revenue Surplus (Deficit)	(1,631,115)	(1,631,115)	(875,053)	756,062
Other Financing Sources				
Proceeds from bonds	<u>1,631,115</u>	<u>1,631,115</u>	<u>1,631,115</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 756,062</u>	<u>\$ 756,062</u>

Schedule of Departmental Operations

Schedule 4

General Fund

For the Year Ended June 30, 2018

	Authorized Expenditures	Actual Expenditures	(Overdrawn) Unexpended	Carried Forward
General Government				
Assessing	94,042	88,429	5,613	-
Code enforcement	99,013	85,326	13,687	-
General administration	316,225	347,966	(31,741)	-
Cable television	104,477	91,945	12,532	-
Town council	53,969	51,867	2,102	-
Town clerk	206,891	181,450	25,441	-
Finance	198,280	196,136	2,144	-
Planning	164,051	120,996	43,055	-
Appeals board	679	190	489	-
Building maintenance	213,816	218,213	(4,397)	-
Total general government	1,451,443	1,382,518	68,925	-
Public Safety				
Public safety	1,237,196	1,248,111	(10,915)	-
Law enforcement	546,327	546,075	252	-
Total public safety	1,783,523	1,794,186	(10,663)	-
General Assistance	42,056	37,269	4,787	-
Public Works				
Public works	1,237,160	1,223,869	13,291	-
Solid waste	543,748	529,219	14,529	-
Total public works	1,780,908	1,753,088	27,820	-
Community Service Programs				
Recreation	102,592	94,495	8,097	1,500
Rich memorial beach	48,182	36,648	11,534	-
Donations	36,350	36,350	-	-
Total community service programs	187,124	167,493	19,631	1,500
Capital Outlay	5,800	5,000	800	-
Benefits and Insurance				
Employee benefits	732,023	745,867	(13,844)	-
Insurance	73,500	65,580	7,920	-
Total benefits and insurance	805,523	811,447	(5,924)	-
Fixed Costs and Other				
Debt service	1,104,772	1,104,772	-	-
County tax	712,240	712,240	-	-
Education	9,696,049	9,696,049	-	-
TIF District	10,599	10,598	1	-
Overlay and bad debts	70,345	20,318	50,027	-
Total fixed costs and other	11,594,005	11,543,977	50,028	-
Totals	<u>\$17,650,382</u>	<u>\$17,494,978</u>	<u>\$ 155,404</u>	<u>\$ 1,500</u>

Comparative Balance Sheets

Schedule 5

General Fund

As of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and cash equivalents	\$ 3,568,121	\$ 3,766,601
Accounts receivable	225,252	182,534
Taxes receivable, net	466,225	497,198
Liens receivable	93,816	104,129
Lien interest and costs receivable	10,163	9,816
Tax acquired property	35,079	23,266
Inventory and prepaid expense	62,308	53,700
Other assets	160	160
Due from other funds	<u>461,009</u>	<u>438,306</u>
Total Assets	<u><u>\$ 4,922,133</u></u>	<u><u>\$ 5,075,710</u></u>
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities		
Accounts payable	\$ 168,088	\$ 129,724
Accrued wages	53,648	50,803
Customer deposits	10,768	7,388
Unearned revenues	12,422	14,285
Due to other funds	<u>260,979</u>	<u>213,550</u>
Total liabilities	505,905	415,750
Deferred Inflows of Resources		
Unavailable property taxes	334,348	373,169
Taxes collected in advance	<u>6,801</u>	<u>5,439</u>
Total deferred inflows of resources	341,149	378,608
Fund Balances		
Nonspendable	62,468	53,860
Restricted	111,696	113,584
Committed	730,495	625,051
Assigned	451,500	566,022
Unassigned	<u>2,718,920</u>	<u>2,922,835</u>
Total fund balances	<u><u>4,075,079</u></u>	<u><u>4,281,352</u></u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u><u>\$ 4,922,133</u></u>	<u><u>\$ 5,075,710</u></u>

Summarized Schedule of Changes in Fund Balances

Schedule 6

General Fund

For the Year Ended June 30, 2018

	Beginning Balance	Net Changes	Ending Balance
Nonspendable			
Prepaid expenses, inventories, and other	\$ 53,860	\$ 8,608	\$ 62,468
Restricted			
Impact fees and restricted donations	113,584	(1,888)	111,696
Committed			
Reserves	625,051	105,444	730,495
Assigned			
Use of fund balance to fund budgeted deficits	500,000	(50,000)	450,000
Unexpended appropriations carried forward	66,022	(64,522)	1,500
Unassigned	<u>2,922,835</u>	<u>(203,915)</u>	<u>2,718,920</u>
Totals	<u>\$ 4,281,352</u>	<u>\$ (206,273)</u>	<u>\$ 4,075,079</u>

Detailed Schedule of Changes in Fund Balances

Schedule 7

General Fund

For the Year Ended June 30, 2018

	Beginning Balance	Revenues	Transfers In and (Out)	Expenditures	Ending Balance
Nonspendable					
Inventories	\$ 42,048	\$ -	\$ 13,100	\$ -	\$ 55,148
Prepaid expenses	11,652	-	(4,492)	-	7,160
Other	160	-	-	-	160
Restricted					
G Spenser fund	1,415	3	-	-	1,418
J Mucci fund	1,510	4	-	-	1,514
Impact fees	110,659	265	-	(2,160)	108,764
Committed					
Donations	1,559	367	-	(1,016)	910
Dog park	-	450	-	-	450
Voting machine	8,000	13	-	-	8,013
Summer rec schol	5,000	8	-	-	5,008
Community center	23,409	59	-	-	23,468
Conservation	8,949	22	-	-	8,971
Government access	27,002	68	-	-	27,070
Skate park	2,183	6	-	-	2,189
Bond levelization	475,511	1,117	63,928	-	540,556
Econ development	73,438	184	-	-	73,622
Planning projects	-	-	40,238	-	40,238
Assigned					
Budgeted deficit	500,000	-	(50,000)	-	450,000
Carry forwards	66,022	-	(64,522)	-	1,500
Unassigned	<u>2,922,835</u>	<u>17,283,639</u>	<u>4,248</u>	<u>(17,491,802)</u>	<u>2,718,920</u>
Totals	<u>\$ 4,281,352</u>	<u>\$ 17,286,205</u>	<u>\$ 2,500</u>	<u>\$(17,494,978)</u>	<u>\$ 4,075,079</u>

Combining Balance Sheet

Schedule 8

Nonmajor Special Revenue Funds

As of June 30, 2018

	Assets			
	Cash	Receivables and Prepaids	Due From Other Funds	Total Assets
Restricted				
Comprehensive plan	\$ -	\$ -	\$ 6,379	\$ 6,379
Standish corner	-	-	4,623	4,623
Family crisis CDBG	-	4,137	-	4,137
TIF district	21,278	-	-	21,278
Committed				
Bottles 4 fuel	14,547	-	-	14,547
Public safety fair	-	-	870	870
Recreation fund	-	6,865	224,423	231,288
Totals	<u>\$ 35,825</u>	<u>\$ 11,002</u>	<u>\$ 236,295</u>	<u>\$ 283,122</u>

	Liabilities and Fund Balances				
	Accounts Payable	Accrued Liabilities	Due To Other Funds	Fund Balance	Total L & FB
Restricted					
Comprehensive plan	\$ -	\$ -	\$ -	\$ 6,379	\$ 6,379
Standish corner	-	-	-	4,623	4,623
Family crisis CDBG	2,055	-	2,082	-	4,137
TIF district	-	-	-	21,278	21,278
Committed					
Bottles 4 fuel	-	-	10,251	4,296	14,547
Public safety fair	-	-	-	870	870
Recreation fund	1,021	133,860	-	96,407	231,288
Totals	<u>\$ 3,076</u>	<u>\$ 133,860</u>	<u>\$ 12,333</u>	<u>\$ 133,853</u>	<u>\$ 283,122</u>

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances**

Schedule 9

Nonmajor Special Revenue Funds

For the Year Ended June 30, 2018

	Beginning Balance	Program Revenues	Transfers In (Out)	Program Expenditures	Ending Balance
Restricted					
Comprehensive plan	\$ 6,379	\$ -	\$ -	\$ -	\$ 6,379
Standish corner	4,623	-	-	-	4,623
Family crisis CDBG	-	22,224	-	(22,224)	-
TIF district	15,608	10,670	(5,000)	-	21,278
Committed					
Bottles 4 fuel	9,500	5,047	-	(10,251)	4,296
Public safety fair	181	760	2,500	(2,571)	870
Recreation fund	69,000	359,927	-	(332,520)	96,407
Totals	<u>\$ 105,291</u>	<u>\$ 398,628</u>	<u>\$ (2,500)</u>	<u>\$ (367,566)</u>	<u>\$ 133,853</u>

Combining Balance Sheet

Schedule 10

Nonmajor Capital Projects Funds

As of June 30, 2018

	2014 Capital Projects Fund	2015 Capital Projects Fund	2016 Capital Projects Fund	2017 Capital Projects Fund	Total
Assets					
Due from other funds	<u>\$ 125,954</u>	<u>\$ 94,907</u>	<u>\$ 383,638</u>	<u>\$ 389,002</u>	<u>\$ 993,501</u>
Liabilities					
Accounts payables	\$ -	\$ 90,539	\$ 246,404	\$ 88,921	\$ 425,864
Fund Balances					
Restricted	<u>125,954</u>	<u>4,368</u>	<u>137,234</u>	<u>300,081</u>	<u>567,637</u>
Total Liabilities and Fund Balance	<u>\$ 125,954</u>	<u>\$ 94,907</u>	<u>\$ 383,638</u>	<u>\$ 389,002</u>	<u>\$ 993,501</u>

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances**

Schedule 11

Nonmajor Capital Projects Funds

For the Year Ended June 30, 2018

	2014 Capital Projects Fund	2015 Capital Projects Fund	2016 Capital Projects Fund	2017 Capital Projects Fund	Total
Revenues					
Interest income	\$ -	\$ -	\$ -	\$ 3,209	\$ 3,209
Expenditures					
Public safety	1,465	-	6,071	23,409	30,945
Parks and recreation	-	-	10,329	11,416	21,745
Highway roads	-	99,217	499,298	100,449	698,964
Total expenditures	<u>1,465</u>	<u>99,217</u>	<u>515,698</u>	<u>135,274</u>	<u>751,654</u>
Change in Fund Balance	(1,465)	(99,217)	(515,698)	(132,065)	(748,445)
Beginning Fund Balance	<u>127,419</u>	<u>103,585</u>	<u>652,932</u>	<u>432,146</u>	<u>1,316,082</u>
Ending Fund Balance	<u>\$ 125,954</u>	<u>\$ 4,368</u>	<u>\$ 137,234</u>	<u>\$ 300,081</u>	<u>\$ 567,637</u>

Combining Balance Sheet
 Nonmajor Permanent Funds
 As of June 30, 2018

Schedule 12

	Hasty Fund	Wescott Fund	Totals	
			2018	2017
Assets				
Due from general fund	<u>\$ 15,168</u>	<u>\$ 9,516</u>	<u>\$ 24,684</u>	<u>\$ 24,579</u>
Fund Balances				
Nonspendable - permanent	\$ 14,911	\$ 5,047	\$ 19,958	\$ 19,958
Restricted - expendable	<u>257</u>	<u>4,469</u>	<u>4,726</u>	<u>4,621</u>
	<u>\$ 15,168</u>	<u>\$ 9,516</u>	<u>\$ 24,684</u>	<u>\$ 24,579</u>

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances**

Schedule 13

Nonmajor Permanent Funds
For the Year Ended June 30, 2018

	Hasty Fund	Wescott Fund	Totals	
			2018	2017
Revenues				
Interest	\$ 65	\$ 40	\$ 105	\$ 43
Expenditures	-	-	-	-
Surplus Revenues	65	40	105	43
Beginning Fund Balances	15,103	9,476	24,579	24,536
Ending Fund Balances	<u>\$ 15,168</u>	<u>\$ 9,516</u>	<u>\$ 24,684</u>	<u>\$ 24,579</u>

Note 1: Capital Projects Fund Budgetary Comparison Schedule

On an annual basis, the Town adopts an appropriated budget that contemplates operational expenditures for both the General Fund and the current year Capital Projects Fund. The budgetary comparison schedule is required supplementary information (RSI) for the General Fund and for special revenue funds with legally adopted budgets, whereas the budgetary comparison schedule for the 2018 Capital Projects Fund is not required supplementary information. Management presents the budgetary comparison schedule for the 2018 Capital Projects Fund (Schedule 3) as other supplementary information for purposes of additional analysis.

On a budgetary basis, the 2018 Capital Projects Fund ran a surplus for the year in the amount of \$756,062. Surpluses will be used in future years to complete approved capital projects.



**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

Town Council
Town of Standish

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 Town of Standish, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Town of Standish's basic financial statements, and have issued our report thereon dated December 10, 2018.

Internal Control over Financial Reporting

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

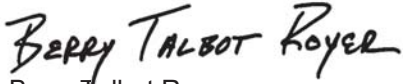
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Town of Standish'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.



Berry Talbot Royer
Certified Public Accountants
Falmouth, Maine
December 10, 2018