



March 13, 2019

Board of Selectmen
Town of Readfield, Maine

We have audited the financial statements of the Town of Readfield (the Town) as of and for the year ended June 30, 2018 and have issued our report thereon dated March 13, 2019. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated June 25, 2018, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Town solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

We identified no threats to our independence with respect to this engagement.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Town is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application in 2018. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are as follows:

Management's estimate of the depreciation expense on general governmental capital assets is based on the remaining estimated useful lives of capital assets, the estimated salvage value of capital assets, and the use of the straight line method of depreciation. We evaluated the key factors and assumptions used to develop the estimate for depreciation and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion unit.

Management's estimate for an allowance of uncollectible accounts is based Town's history of collecting on outstanding receivables, and on an analysis of the entities from whom accounts receivable are outstanding and their ability and likelihood of payment. We evaluated the key factors and assumptions used to develop the estimate for the allowance for uncollectible accounts and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion unit.

Management's estimate for unavailable property taxes is based on the Town's prior year collection rates applied to the current year balance of taxes receivable. We evaluated the key factors and assumptions used to develop the estimate for the allowance for unavailable property taxes and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion unit.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. We did not consider any of the Town's financial statement disclosures for the current fiscal year to be particularly sensitive.

Identified or Suspected Fraud

We have not identified or obtained any information that indicates that fraud may have occurred or is suspected to have occurred. However, our audit procedures are not designed to detect fraud and, therefore, a fraud may have occurred that has not been identified.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. There are no uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are material, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. Attached is a schedule of material misstatements that we identified as a result of our audit procedures and that were brought to the attention of, and corrected by, management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Town's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated March 13, 2019.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Modification of the Auditor's Report

Others Matters Paragraph

Our auditor's report also contains expected "other matters" paragraphs relating to required supplementary information and other information relating to the financial statements.

We applied certain limited procedures to management's discussion and analysis and the budgetary comparison schedule, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on other supplementary information, Schedules 2 – 6, which accompany the financial statements but are not RSI. With respect to other supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Town, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Town's auditors.

Restrictions on Use

This report is intended solely for the information and use of the Board of Selectmen and management of the Town of Readfield and is not intended to be and should not be used by anyone other than these specified parties.



Berry Talbot Royer
Certified Public Accountants
Falmouth, Maine

Town of Readfield



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 Selectmen and Manager
Town of Readfield, 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 Readfield, 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 Readfield, 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 - 11 and 33 - 36 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 Readfield, Maine's basic financial statements. Schedules 2 through 6 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Schedules 2 through 6 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 2 through 6 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
March 13, 2019



Town of Readfield

Management Discussion and Analysis

The Town of Readfield (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 one category of funds: governmental 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 fund is the General Fund. All non-major governmental funds are combined in the "Other Governmental Funds" column on these statements.

Current Year Financial Highlights

- The Town's assets exceeded its liabilities and deferred inflows of resources by \$22,884,351 as of the end of the fiscal year. This year's total net position includes an unrestricted portion totaling \$2,383,530 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 an increase in net position of \$3,256. The Town's net expenses of \$5,548,960 were offset by general revenues of \$5,552,216.
- Total governmental activities' expenses in fiscal year 2018 were up by \$95,796 from fiscal year 2017. Also, total governmental activities' revenues in fiscal year 2018 were up \$173,196 from fiscal year 2017.
- In the General Fund, the Town's unassigned fund balance increased by \$143,168 from the prior fiscal year.
- 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 23.38%, which is up from 19.23% in the prior year.
- The Town's total bonded and other long-term debt decreased by \$317,796 during the current fiscal year. Current year debt repayments were \$317,796 and there were no current year debt issues.

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 \$22.8 million at the end of the fiscal year 2018, compared to \$22.9 million at the end of the fiscal year 2017.

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

Table A - Condensed Statement of Net Position

Table_A

	2018	2017	\$ Change	% Change
Current assets	\$ 2,781,806	\$ 2,490,540	\$ 291,266	11.69%
Capital assets, net	<u>21,007,303</u>	<u>21,564,790</u>	<u>(557,487)</u>	-2.59%
Total assets	23,789,109	24,055,330	(266,221)	
			-	
Current liabilities	379,612	380,918	(1,306)	-0.34%
Long-term liabilities	<u>488,418</u>	<u>775,275</u>	<u>(286,857)</u>	-37.00%
Total liabilities	868,030	1,156,193	(288,163)	
Deferred inflows of resources	36,728	18,042	18,686	103.57%
Net investment in capital assets	20,222,269	20,469,565	(247,296)	-1.21%
Restricted	278,552	264,390	14,162	5.36%
Unrestricted	<u>2,383,530</u>	<u>2,147,140</u>	<u>236,390</u>	11.01%
Total net position	<u>\$ 22,884,351</u>	<u>\$ 22,881,095</u>	<u>\$ 3,256</u>	0.01%

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

Table B - Condensed Statement of Activities**Table _B**

	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>% Change</u>
Charges for services	282,966	253,230	29,736	11.74%
Operating grants and contributions	<u>39,839</u>	<u>51,507</u>	<u>(11,668)</u>	-22.65%
Total program revenues	322,805	304,737	18,068	5.93%
Taxes	5,094,787	5,045,248	49,539	0.98%
Intergovernmental	299,254	235,743	63,511	26.94%
Other	<u>158,175</u>	<u>116,097</u>	<u>42,078</u>	36.24%
Total general revenues	5,552,216	5,397,088	155,128	
Total Revenues	5,875,021	5,701,825	173,196	3.04%
General government	\$ 435,643	463,857	(28,214)	-6.08%
Boards and commissions	1,249	3,014	(1,765)	-58.56%
Town buildings	-	27,658	(27,658)	-100.00%
Community services	56,922	64,156	(7,234)	-11.28%
Recreation, parks and activities	36,734	21,177	15,557	73.46%
Protection	177,635	153,960	23,675	15.38%
Cemeteries	11,278	30,916	(19,638)	-63.52%
Roads and drainage	793,288	870,796	(77,508)	-8.90%
Solid waste	313,538	270,123	43,415	16.07%
Education	3,527,596	3,442,351	85,245	2.48%
Regional assessments	305,861	306,973	(1,112)	-0.36%
Capital improvements	12,904	33,615	(20,711)	-61.61%
Interest on long-term debt	41,494	33,003	8,491	25.73%
Municipal maintenance	125,989	-	125,989	N/A
General assistance	27,144	54,370	(27,226)	-50.08%
Overlay and bad debt	<u>4,490</u>	<u>-</u>	<u>4,490</u>	N/A
Total expenses	<u>\$ 5,871,765</u>	<u>5,775,969</u>	<u>95,796</u>	2%
Change in net position	<u>\$ 3,256</u>	<u>\$ (74,144)</u>	<u>\$ 77,400</u>	-104%

Overall, total revenues went up in fiscal year 2018 compared to fiscal year 2017 by just about 3.04%. Most of this increase came from intergovernmental and other revenues. Total expenses was up by 2%; this led to an increase in net position of \$3,256, compared to 2017's results, which showed a \$74,144 decrease in net position.

Chart A
Revenue by Source

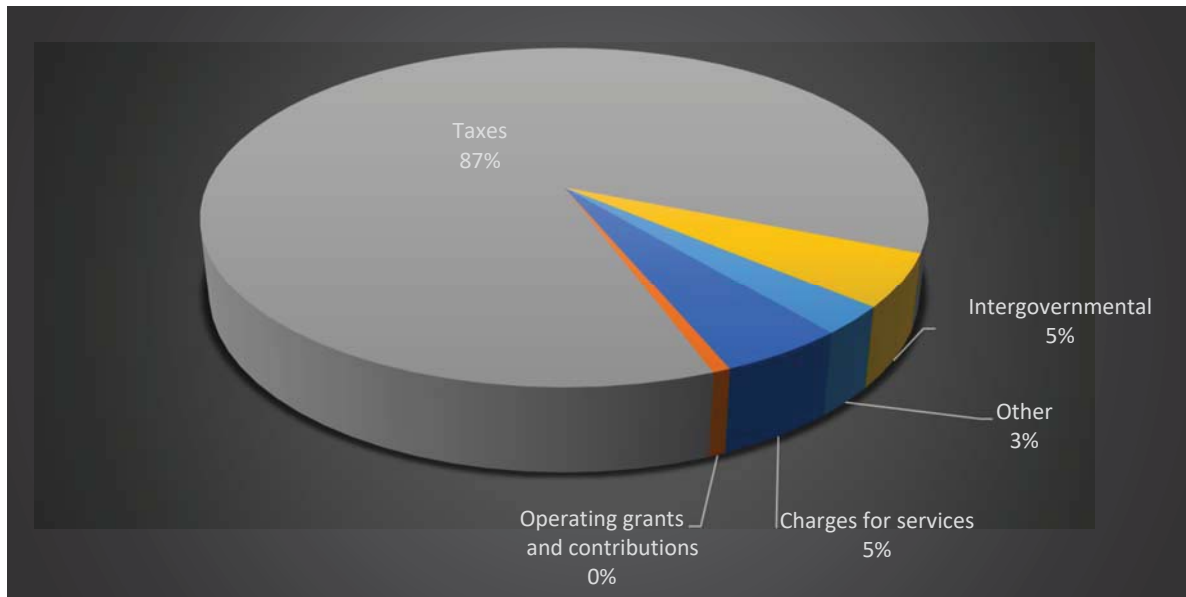


Chart A shows the relative size of revenues based on their source. The largest source of revenues is, of course, taxes at 87%, followed by Charges for Services and Intergovernmental at 5%.

Chart B
Expenses by Program

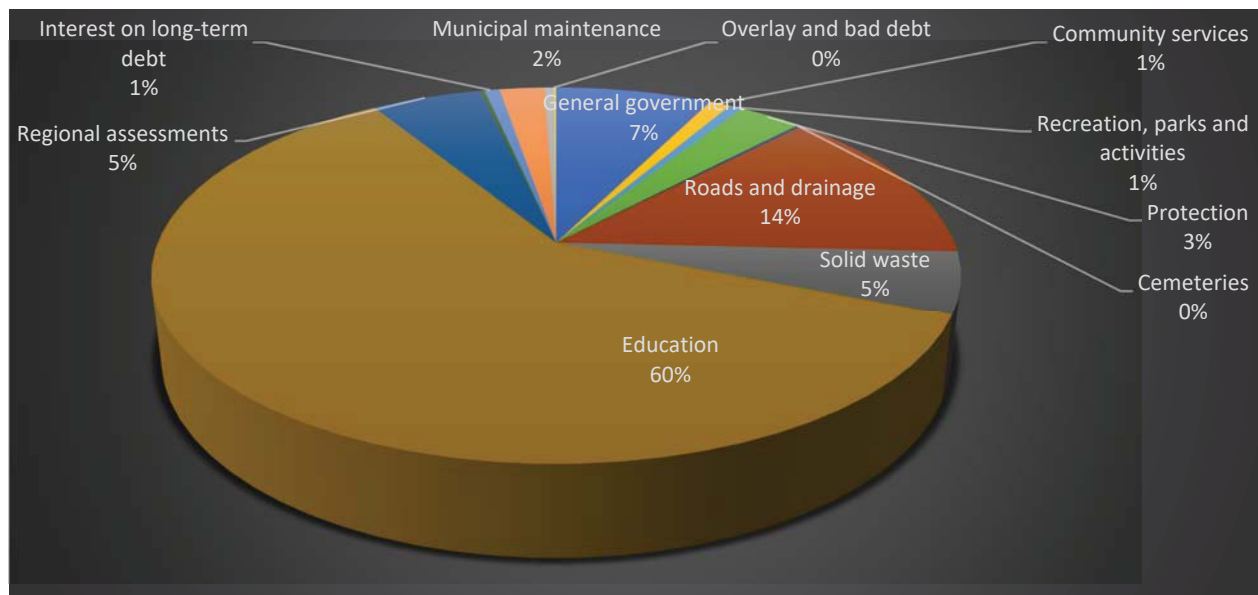


Chart B shows the relative sizes of expenses based on the program. Fixed charges, which includes education takes up the largest share of expenses at 60%. Roads and drainage is second, consuming 14% of expenses.

Analysis of the Town's Governmental Funds

As noted earlier, the Town of Readfield 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 fund balances were \$2,209,476 and \$2,007,812 for fiscal years 2018 and 2017, respectively, which is a \$201,664 increase in the current fiscal year. The unassigned fund balance had fund balances of \$1,314,672 and \$1,171,504 for fiscal years 2018 and 2017, respectively, which is a \$143,168 increase in the current fiscal year.

Other significant changes in the General Fund's fund balance components include a \$125,000 decrease in the assigned fund balance from the prior fiscal year. In addition, the committed fund balance increased \$188,022 in the current fiscal year.

Other Governmental Funds

All other governmental funds are composed of nonmajor special revenue funds, capital projects funds, and permanent funds. Total special revenue fund balances were \$4,767 for fiscal years 2018 and 2017. Total permanent funds fund balances were \$278,552 and \$264,390 for fiscal years 2018 and 2017, respectively, which represents a \$14,162 increase in the current fiscal year. The fund balances of special revenue funds simply represent unexpended grant and other specially designated funds. The fund balances of capital projects funds represent expended bond funds issued for capital improvement projects. The fund balances of permanent funds represent nonspendable 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 13, 2017, budgeted a deficit of \$402,549 that was to be covered through the use of fund balances. There were no significant differences between the original and the final budget for the general fund.

In analyzing comparisons between the final budget and actual results, revenues came in at \$147,153 above budget, driven mostly by a \$81,599 increase in motor vehicle taxes. Other revenue line items were over and under budget by varying degrees and, generally, positive variances offset negative variances.

Overall, actual expenditures were lower than budgeted expenditures by \$466,509. The departments with the largest budget-to-actual variances were Capital Improvements (\$247,908 and 95% under budget), and Roads and Drainage (\$85,735 and 22.9% under budget).

As a result of revenues coming in over budget, and expenditures coming in under budget, the Town experienced a surplus of \$613,662 on a budgetary basis (which differs from the GAPP basis used to measure performance in the basic financial statements, and as explained in the notes to the required supplementary information).

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 \$30,371,520, less accumulated depreciation of \$9,364,217. This investment includes land, buildings and improvements, machinery, equipment and vehicles, 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.

There was \$30,183 of capital asset additions and there were no disposals of capital assets in the current year. Depreciation expense for the current year, totaled \$587,659.

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

	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>% Change</u>
Land	\$ 2,865,844	\$ 2,865,844	\$ -	-
Buildings and Improvements	1,021,793	1,021,793	-	-
Machinery, equipment & vehicles	1,512,572	1,482,389	30,183	2%
Infrastructure	<u>24,971,311</u>	<u>24,971,311</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 30,371,520</u>	<u>\$ 30,341,337</u>	<u>\$ 30,183</u>	

Chart C
Composition of Capital Assets

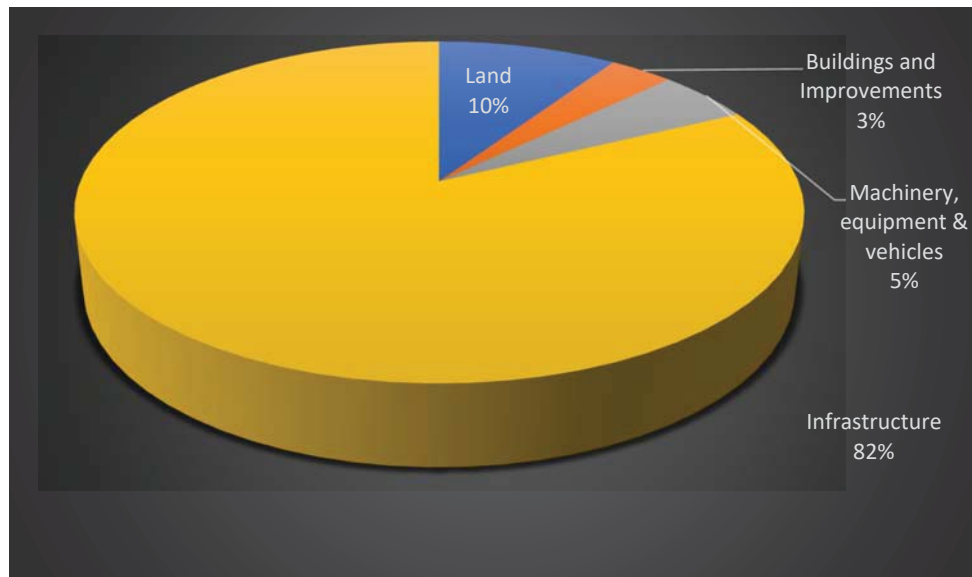


Chart C shows the composition of the capital assets and each of their classes in terms of their relative size to each other.

Chart D
Consumption of Capital Assets

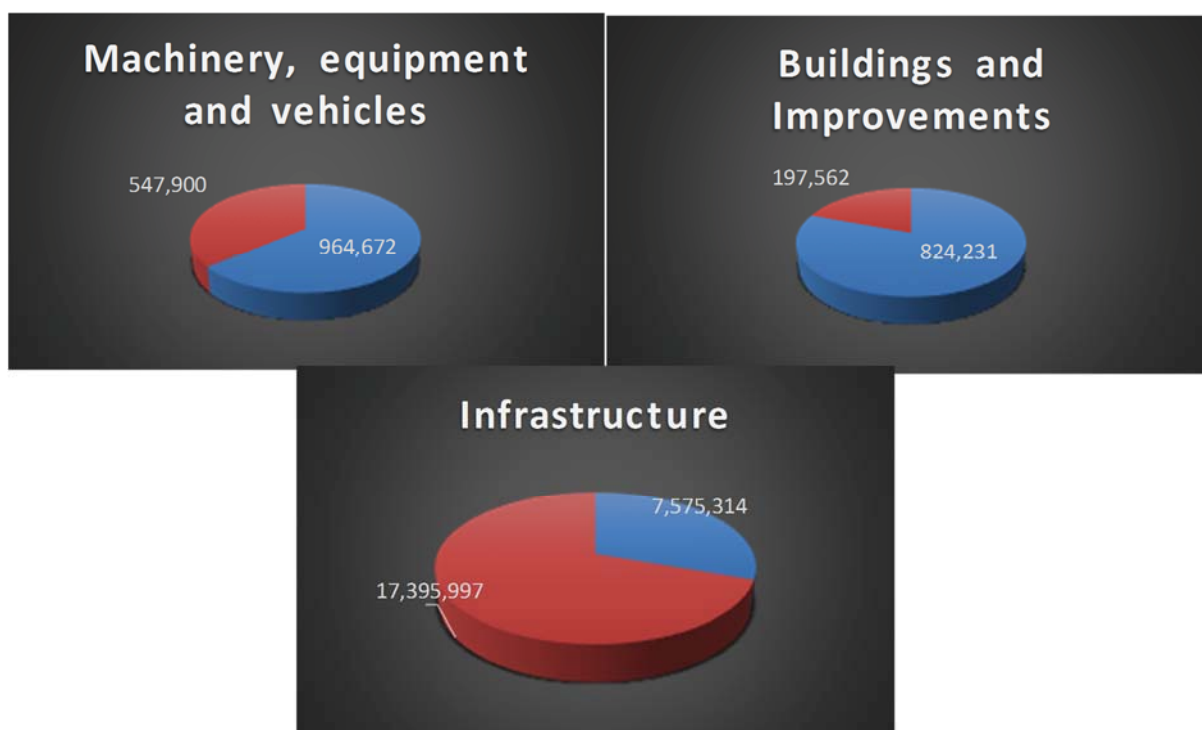


Chart D provides a graphical depiction of how much of each asset class' total cost has been expensed as depreciation, as of June 30, 2018. The entire pie represents total cost, the red portion represents net book value (or, undepreciated cost), and the blue portion represents accumulated depreciation. 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 improvements, machinery, equipment and vehicles, and infrastructure have, on average for the class, relatively young useful lives. Buildings and improvements, as well as machinery, equipment and vehicles are over 50% accumulated depreciation. This analysis is useful to help assess where capital outlays will need to be made in the future.

Long-Term Debt

At the end of the fiscal year, the Town had \$772,266 in general obligation - a decrease of approximately \$317,000 over last year. There were no bond issuances in the current fiscal year. The Town paid down its debt during the year in the amount of \$317,796, which included \$18,047 of capital lease payments and \$299,749 of general obligation bond payments.

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.

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

Table D - Long-term Debt Activity**Table_D**

	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>% Change</u>
General obligation bonds	\$ 772,266	\$ 1,072,015	\$ (299,749)	-28%
Capital lease payable	<u>-</u>	<u>18,047</u>	<u>(18,047)</u>	-100%
Totals	<u>\$ 772,266</u>	<u>\$ 1,090,062</u>	<u>\$ (317,796)</u>	-29%

Requests for Information

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

Teresa Shaw
Financial Officer
Town of Readfield
8 Old Kents Hill Road
Readfield, Maine 04355
readfield.finance@roadrunner.com

Statement of Net Position

Statement 1

As of June 30, 2018

	Governmental Activities
Assets	
Cash and equivalents	\$ 2,053,482
Investments	384,921
Accounts receivable	15,112
Taxes receivable	320,028
Personal property tax receivable, net	<u>8,263</u>
Total current assets	2,781,806
Land	2,865,844
Land improvements	213,952
Buildings	807,841
Machinery and equipment	276,992
Vehicles	1,235,580
Infrastructure	24,971,311
Accumulated depreciation	<u>(9,364,217)</u>
Net capital assets	<u>21,007,303</u>
Total Assets	23,789,109
Liabilities	
Accounts payable	59,180
Accrued wages	3,533
Accrued interest	12,768
Long-term debt - due within one year	<u>304,131</u>
Total current liabilities	379,612
Accrued compensated absences	20,283
Long-term debt - due beyond one year	<u>468,135</u>
Total non-current liabilities	<u>488,418</u>
Total Liabilities	868,030
Deferred Inflows of Resources	
Prepaid property taxes	<u>36,728</u>
Net Position	
Net investment in capital assets	20,222,269
Restricted for:	
Nonexpendable permanent fund principal	130,208
Expendable permanent fund balances	148,344
Unrestricted	<u>2,383,530</u>
Total Net Position	<u><u>\$ 22,884,351</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	\$ 435,643	\$ 1,216	\$ -	\$ (434,427)
Boards and commissions	1,249	-	38	(1,211)
Community services	56,922	29,691	2,498	(24,733)
Recreation, parks, and activities	36,734	20,367	-	(16,367)
Protection	177,635	17,200	42	(160,393)
Cemeteries	11,278	-	21	(11,257)
Roads and drainage	793,288	-	35,924	(757,364)
Solid waste	313,538	214,492	-	(99,046)
Education	3,527,596	-	-	(3,527,596)
Regional assessments	305,861	-	-	(305,861)
Capital improvements	12,904	-	-	(12,904)
Debt service	41,494	-	-	(41,494)
Municipal maintenance	125,989	-	-	(125,989)
Other expenses	27,144	-	1,316	(25,828)
Bad debt expense	4,490	-	-	(4,490)
Total Primary Government	\$ 5,871,765	\$ 282,966	\$ 39,839	(5,548,960)
General Revenues				
				5,094,787
				299,254
				26,426
				34,139
				42,225
				55,385
				5,552,216
Change in Net Position				3,256
Beginning Net Position (Restated)				22,881,095
Ending Net Position				\$ 22,884,351

Balance Sheet

Statement 3

Governmental Funds

As of June 30, 2018

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 2,039,306	\$ 14,176	\$ 2,053,482
Investments	124,013	260,908	384,921
Accounts receivable	15,112	-	15,112
Taxes receivable	320,028	-	320,028
Personal property tax receivable, net	8,263	-	8,263
Due from other funds	181	8,416	8,597
Total Assets	\$ 2,506,903	\$ 283,500	\$ 2,790,403
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	\$ 59,180	\$ -	\$ 59,180
Accrued wages	3,533	-	3,533
Due to other funds	8,416	181	8,597
Total liabilities	71,129	181	71,310
Deferred Inflows of Resources			
Prepaid property taxes	36,728	-	36,728
Unavailable property taxes	189,570	-	189,570
Total deferred inflows of resources	226,298	-	226,298
Fund Balances			
Nonspendable	-	130,208	130,208
Restricted	-	148,344	148,344
Committed	894,804	-	894,804
Assigned	-	4,767	4,767
Unassigned	1,314,672	-	1,314,672
Total fund balances	2,209,476	283,319	2,492,795
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,506,903	\$ 283,500	\$ 2,790,403

Reconciliation Statement

Statement 4

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

Total governmental funds balance, per Statement 3 \$ 2,492,795

Capital assets are not current 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 21,007,303

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 (12,768)

Accrued compensated absences (20,283)

Long-term debt (772,266)

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

Unavailable property taxes 189,570

Net position of governmental activities, per Statement 1 \$ 22,884,351

Statement of Revenues, Expenditures, and Changes in Fund Balances

Statement 5

Governmental Funds

For the Year Ended June 30, 2018

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 5,069,313	\$ -	\$ 5,069,313
Intergovernmental	336,494	-	336,494
Licenses, permits, and fees	26,426	-	26,426
Charges for services	282,966	-	282,966
Penalties and interest	34,139	-	34,139
Contributions	2,599	-	2,599
Other revenue	<u>28,037</u>	<u>14,189</u>	<u>42,226</u>
Total revenues	5,779,974	14,189	5,794,163
Expenditures			
General government	418,970	-	418,970
Boards and commissions	1,249	-	1,249
Community services	56,922	-	56,922
Recreation, parks, and activities	32,175	-	32,175
Protection	158,606	-	158,606
Cemeteries	11,278	-	11,278
Roads and drainage	288,215	-	288,215
Solid waste	306,351	-	306,351
Education	3,527,596	-	3,527,596
Regional assessments	305,861	-	305,861
Capital improvements	12,904	-	12,904
Debt service	328,475	-	328,475
Municipal maintenance	144,036	-	144,036
Other expenses	27,118	27	27,145
Bad debt expense	<u>4,490</u>	<u>-</u>	<u>4,490</u>
Total expenditures	<u>5,624,246</u>	<u>27</u>	<u>5,624,273</u>
Revenue Surplus (Deficit)	155,728	14,162	169,890
Other Financing Sources (Uses)			
Proceeds from foreclosed property	55,385	-	55,385
Net Change in Fund Balance	211,113	14,162	225,275
Beginning Fund Balances (Restated)	<u>1,998,363</u>	<u>269,157</u>	<u>2,267,520</u>
Ending Fund Balances	<u>\$ 2,209,476</u>	<u>\$ 283,319</u>	<u>\$ 2,492,795</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 \$ 225,275

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 30,183

Repayment of debt principal and principal on capital lease obligations are reported as expenditures in the governmental funds, but are not reported as expenses of governmental activities. Instead, they are reported as reductions in long-term debt in the Statement of Net Position.

Bond principal payments 299,749

Capital lease obligation principal payments 18,047

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

Increase in unavailable property taxes 25,474

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 (587,670)

Increase in accrued interest expense (12,768)

Decrease in accrued compensated absences 4,966

Change in net position of governmental activities, per Statement 2 \$ 3,256

Note 1 Summary of Significant Accounting Policies

The Reporting Entity

The Town of Readfield, Maine, incorporated in 1791 under the laws of the State of Maine. The Town operates under a Town selectmen-manager form of government and provides the following services: general government, community services, recreation parks and activities, protection, cemeteries, roads and drainage, solid waste, education and other unclassified services. The financial statements of the Town of Readfield 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 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 generic classification within the financial statements.

The Town currently uses one category of funds: governmental funds. The focus of the governmental funds' measurement is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income.

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. The special revenue fund is not 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 Capital Projects Fund is not considered 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. The Permanent Fund is not considered a major fund in the current year.

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 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 the 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.

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 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.

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. It is the Town’s policy to value investments at fair value. The Town invests in the following investments:

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

Receivables

Receivables consist of all revenues recognized by year-end (on the applicable basis of accounting) but not yet received, which consist of amounts due from governmental agencies and local businesses. All receivables are current and are therefore due within one year. Management’s estimation for allowances for uncollectible accounts is based on collection rates or, where appropriate, collection experience with specific payers. Receivables were \$15,112 for the year ended June 30, 2018.

Note 1 Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include land, land improvements, buildings, machinery and equipment, vehicles 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 assets are reported at fair market value as of the date received. 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:

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

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.

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. As of June 30, 2018, the accrual for compensated absences was determined to be \$20,283.

Note 1 Summary of Significant Accounting Principles (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. The long-term debt consists primarily of bonds and a capital lease payable.

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	\$ 30,371,520
Accumulated depreciation	(9,364,217)
Bonds and notes payable	<u>(785,034)</u>
Net Investment in capital assets	<u>\$ 20,222,269</u>

Restricted is the portion of net position that has constraints in place 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.

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 Select Board and the Town Manager have the authority to assign amounts to be used for specific purposes.

Note 1 Summary of Significant Accounting Policies (Continued)

Fund Balance Components (Continued)

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

For purposes of fund balance classification, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances, assigned fund balances and lastly, unassigned fund balances, unless the Town meeting vote has provided otherwise in its commitment or assignment actions.

Revenue Recognition

As described previously, the government-wide 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.

Program revenues include all directly related income items applicable to a particular program (charges to customers or applicants for goods, services, or privileges provided; operating or capital grants and contributions, including special assessments).

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.

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 \$2,048,267 in bank deposits, \$500,000 was insured by the FDIC and the remaining \$1,548,267 was uninsured.

Note 3 Investments

At June 30, 2018, the Town had the following investments and maturities:

Investment Type	Fair Value	Not Applicable	Maturities	
			< 1 Year	1-5 Years
Certificate of Deposits	124,013	-	124,013	-
Mutual Funds	252,175	252,175	-	-
Exchange Traded Securities	8,733	8,733	-	-
Totals	<u>\$ 384,921</u>	<u>\$ 260,908</u>	<u>\$ 124,013</u>	<u>\$ -</u>

Interest Rate Risk

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

Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer. Investments in any one issuer (other than U.S. Treasury securities and Federal agency securities) that represent 5% or more of total investments are as follow:

	% of Total	Fair Value
Oppenheimer Core	5.07%	\$ 19,527
Virtus Seix Floating Rate	5.66%	\$ 21,791

Custodial Credit Risk

Custodial credit risk for investments is that, in the event of failure of the counterparty, the Town will no be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the Town does not have a policy for custodial credit risk for investments.

The Town's investments in U.S. Government and agencies are subject to custodial credit risk exposure because the related securities are uninsured, unregistered and/or held by the Town's brokerage firm, which is also the counterparty to these securities.

Note 3 Investments (continued)

Credit Risk

Statutes for the State of Maine authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The Town does not have an investment policy on credit risk. Generally, the Town invests excess funds in savings accounts and various insured certificates of deposit. Certain long-term trust funds are invested through a financial institution with trust powers in a mix of securities that comply with state and federal regulations to provide long-term growth and income.

Fair Value Hierarchy

The Town categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 (GASB 72), *Fair Value Measurement and Application*.

The Town has the following fair value measurements as of June 30, 2018.

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
<u>Investments by Fair Value Level</u>	<u>Total</u>			
Mutual Funds	\$ 252,175	\$ 252,175	\$ -	\$ -
Exchange Traded Securities	8,733	8,733	-	-
Totals	<u>\$ 260,908</u>	<u>\$ 260,908</u>	<u>\$ -</u>	<u>\$ -</u>

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued from publicly reliable sources or using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The Town has no Level 3 investments. Certificates of deposit held with local financial institutions for \$124,013 are excluded from the hierarchy as these investments are considered held to maturity and are therefore not measured at fair value.

Note 4 Property Tax

The Town's property taxes for the July 1, 2017 to June 30, 2018 fiscal year were committed on August 25, 2017. Taxes are due semi-annually on September 30, 2017 and February 28, 2018. Unpaid taxes are charged interest of 7% per annum. The real estate and taxable personal property assessed value upon which the levy for the year ended June 30, 2018 was based amounted to \$235,596,273.

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$16,149 for the year ended June 30, 2018. Property taxes levied are recorded as receivables at the time the levy is made.

Note 4 Property Tax (continued)

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 costs involved in foreclosure. Liens and any current taxes on the same parcel are not included as part of the tax acquired property account until the expiration of statutory time limits.

The following summarizes the tax levy for fiscal year 2018:

Real estate valuation	\$ 233,406,854
Personal property valuation	<u>2,189,419.00</u>
Total valuation	235,596,273
Mil rate (per \$1,000 of valuation)	19.29
Tax commitment	<u>\$ 4,544,652</u>

Collection of 2018 taxes levied is as follows:

Original tax commitment	\$ 4,544,652
Supplemental taxes	<u>1,989</u>
Total tax commitment	4,546,641
Less:	
Abatements of current year taxes	14,440
Current year taxes receivable at year end	<u>251,331</u>
Current year tax collections	<u>\$ 4,280,870</u>
Collection rate of current year taxes	94.2%

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

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

	Due from Other Funds	Due To Other Funds
General Fund	\$ 181	\$ 8,416
Trust Fund	3,649	181
Special Revenue Fund	<u>4,767</u>	<u>-</u>
Totals	<u>\$ 8,597</u>	<u>\$ 8,597</u>

Note 5 Interfund Accounts and Transactions (continued)

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.

Note 6 Capital Assets

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

	Beginning Balance	Additions	Retirements	Ending Balance
Non-depreciable Capital Assets				
Land	\$ 2,865,844	\$ -	\$ -	\$ 2,865,844
Depreciable Capital Assets				
Buildings and Improvements	1,021,793	-	-	1,021,793
Machinery, equipment and vehicles	1,482,389	30,183	-	1,512,572
Infrastructure	<u>24,971,311</u>	<u>-</u>	<u>-</u>	<u>24,971,311</u>
Total capital assets	30,341,337	30,183	-	30,371,520
Less: Accumulated Depreciation				
Buildings and Improvements	785,721	38,510	-	824,231
Machinery, equipment and vehicles	914,948	49,724	-	964,672
Infrastructure	<u>7,075,889</u>	<u>499,425</u>	<u>-</u>	<u>7,575,314</u>
Total accumulated depreciation	<u>8,776,558</u>	<u>587,659</u>	<u>-</u>	<u>9,364,217</u>
Total capital assets, net of depreciation	<u>\$ 21,564,779</u>	<u>\$ (557,476)</u>	<u>\$ -</u>	<u>\$ 21,007,303</u>

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

General Government	\$ 21,639
Recreation, parks and activities	4,559
Protection	49,212
Roads and drainage	505,062
Solid waste	<u>7,187</u>
Total depreciation expense	<u>\$ 587,659</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:

	Beginning Balance	Principal Payment	Ending Balance	Due Within One Year
Bonds Payable	\$ 1,072,015	\$ (299,749)	\$ 772,266	304,131
Capital Lease Payable	18,047	(18,047)	-	-
Total long-term debt	<u>\$ 1,090,062</u>	<u>\$ (317,796)</u>	<u>\$ 772,266</u>	<u>\$ 304,131</u>

On the modified accrual basis, total long-term interest expenditure from the General Fund for the year ended June 30, 2018 was \$28,726. On the accrual basis, interest expense of governmental activities includes changes in accrued interest liabilities; total interest expense on long-term debt for the year ended June 30, 2018 was \$41,494.

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

	Principal	Interest	Payment
Fiscal Year 2019	\$ 304,131	\$ 17,339	\$ 321,470
Fiscal Year 2020	156,408	8,291	164,699
Fiscal Year 2021	155,727	5,264	160,991
Fiscal Year 2022	52,000	2,132	54,132
Fiscal Year 2023	52,000	1,323	53,323
Fiscal Years 2024 - 2028	<u>52,000</u>	<u>452</u>	<u>52,452</u>
Totals	<u>\$ 772,266</u>	<u>\$ 34,801</u>	<u>\$ 807,067</u>

All bonds payable are direct obligations of the Town. The Town is not obligated for any special assessment debt. All debt is payable from taxes levied on all taxable property within the Town. The General Fund of the Town is used to pay for all long-term debt.

The Town's lease obligations consisted of a capital lease payable to Androscoggin Bank for a Public Works Truck, due in annual principal and interest installments of \$18,446 through May of 2018. Interest is charged at a rate of 2.21% per annum. The leased asset is included in the general capital assets of governmental activities and is amortized through depreciation expense. Interest paid on lease obligations during the year totaled \$399. The capital lease payable was paid in full in May 2018. The Town did not enter into any new lease obligations.

Note 7 Long-Term Debt (continued)

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

2013 General Obligation Bond, dated July 24, 2013; annual principal and interest payment due in July of \$109,116.65. Interest rate of 2.230% per annum, calculated on an actual 365-day year. Final installment due July 2020. Authorized and issued \$700,000.	\$ 310,266
2008 General Obligation Bond, dated August 1, 2008; annual principal payment due in August in the amount of \$150,000. Interest rate of 4.11% per annum is calculated on a 30/360 day year. Final installment due August 2018. Authorized and issued \$1,500,000.	150,000
2016 General Obligation Bond, dated October 6, 2016; annual principal payment due November of \$52,000. Semi-annual interest payable in November and May; interest rate of 2.23% per annum. Final installment due November 2024. Authorized and issued \$364,000.	<u>312,000</u>
Total Outstanding Long-term Debt	<u>\$ 772,266</u>

Note 8 Overlapping Debt

The Town's proportionate share of RSU#38's bonded debt is not reported in the Town's financial statements. Debt service is included in the annual school assessments to the Town. The Town's share is 27.77% (\$695,782) of RSU#38's outstanding bonded debt of \$2,505,487.

Note 9 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 positions 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 10 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.

The Town is a member of the Maine Municipal Association – Property and Casualty Pool and pays an annual premium for its coverage. Under the property portion of the policy, coverage is provided after a \$1,000 per occurrence deductible is met. Under the general liability portion of the policy, the limit is \$400,000 per occurrence for causes of action pursuant to the Maine Torts Claims Act. Coverage is limited to those areas for which governmental immunity has been expressly waived and \$2,000,000 per occurrence for causes of action pursuant to federal law or state law for which immunity is not proved by the Maine Tort Claims Act. The same limit applies for Law Enforcement after a \$1,000 per occurrence deductible is met. For public official liability and employment practices liability, the coverage is \$2,000,000 per occurrence and \$4,000,000 aggregate with a \$5,000 deductible.

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. There were no significant reductions in insurance coverage from that of the prior year and amount of settlements have not exceeded insurance coverage in the past three years.

Note 11 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 12 Deferred Compensation Plan

The Town contributes to a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457 through the International City Management Association Retirement Corporation (ICMA-RC). The plan is available to Town employees, Town management and professional level employees; it permits them to defer a portion of their salary, in addition to Town contributions, until future years. The deferred compensation plan is not available to employees until termination, retirement, death, or unforeseen emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) to be held in a trust for the exclusive benefit of the participants and their beneficiaries. Employees may opt to use a different plan with similar terms.

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

The contribution requirements of plan members and the Town are established and may be amended by the Town's Select Board. For professional employees that choose to participate in the 457 plan alone, the Town will contribute an amount equal to the required employer contribution for the defined benefit plan up to 10.00% of an employee's annual salary. For the Town's non-professional employees, the Town will contribute an amount equal to 5%, 8%, or 10% of their annual salary depending on years of service. Employees may contribute additional amounts of their own choosing.

Note 12 Deferred Compensation Plan (continued)

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 13 Components of the General Fund's Fund Balance

The General Fund's unassigned fund balance as of June 30, 2018 is \$1,103,560.

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Assigned</u>	<u>Committed</u>
Admin technology	\$ -	\$ -	\$ -	\$ 3,730
Age friendly	-	-	-	2,622
Alice Couture	20,000	15,543	-	-
Backhoe	-	-	-	30,260
Ballfield	-	-	-	3,004
Beach	-	21,397	-	8,125
Beach Improvement	16,915	-	-	-
Beach tractor replacement	-	-	2,400	-
Beach equipment	-	-	6	-
Cemeteries	81,750	59,383	-	5,307
Cemeteries - living fence	-	-	-	14
Cemetery capital	-	-	-	12,900
Cemetery expansion	-	20,117	-	-
Dispatching	-	-	-	5,525
Dog vaccination fund	-	-	-	390
Enterprise fund	-	-	-	54,288
FD annual physicals	-	-	-	4,792
FD equipment	-	-	-	49,572
Fire PPG replacement	-	-	-	5,984
Fire tower sites	-	-	-	(12,335)
Fire station addition	-	-	-	35,522
Fire station improvement	-	-	-	9,205
Forestry	-	-	-	697
Gile hall	-	-	-	24,836
Grant writing	-	-	-	10,792
Governor Huntoon	339	5,393	-	-
Heating assistance	-	-	-	3,087
Heritage days	-	-	-	6,552
Kents Hill	4,910	13,769	-	-
Kesner	300	570	-	-
Kolreg	500	2,000	-	-
Library operations	-	-	-	6,739
Library improvements	-	-	-	1,122
Lincoln-Morse	500	1,933	-	-
Maranacook dam	-	-	-	120,363
Mill stream bridge	-	-	-	369
Mill stream dam	-	-	-	5,818
Minnie Walker	600	1,894	-	-
Open space	-	-	-	6,815
Capital equipment	-	-	-	25,000
Reafield corner sewage	-	-	1,705	-
Recreation	-	-	-	19,577
Revaluation	-	-	-	85,000
Road and bridge bond	-	-	-	5,830
Road bond 13-14	-	-	-	454
Sidewalk capital	-	-	-	45,000
Roads capital	-	-	-	15,000
Snowmobiling	-	-	-	1,379
Summer roads	-	-	-	175,075
Conservation land	-	-	-	28,414
Townsend	1,738	1,258	-	-
Town boundary lines	-	-	656	-
Trails	-	25	-	1,993
Transfer station ops	-	-	-	2,195
Transfer station cap	-	-	-	79,510
War Memorial	2,156	1,573	-	-
Water holes	-	-	-	4,282
Whittier	500	3,489	-	-
Total	\$ 130,208	\$ 148,344	\$ 4,767	\$ 894,804

Note 14 Restatement

During 2018, the beginning balances for the Fund Balance and the Net Position for the Government-wide financial statements were restated to conform to current year presentation.

Note 15 Subsequent Events

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through March 13, 2019, the date the financial statements were available to be issued.

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				
Taxes				
Property taxes	\$ 4,544,652	\$ 4,544,652	\$ 4,519,917	\$ (24,735)
Motor vehicle excises taxes	460,000	460,000	541,599	81,599
Boat excise taxes	<u>7,500</u>	<u>7,500</u>	<u>7,798</u>	<u>298</u>
	5,012,152	5,012,152	5,069,314	57,162
Intergovernmental				
State revenue sharing	135,000	135,000	137,773	2,773
Homestead exemption	145,330	145,330	138,363	(6,967)
Local road assistance	35,000	35,000	35,924	924
Tree growth reimbursement	9,800	9,800	9,358	(442)
BETE reimbursement	8,436	8,436	8,474	38
Veterans exemption	3,200	3,200	3,909	709
General assistance	2,325	2,325	1,316	(1,009)
Snowmobile fees	<u>940</u>	<u>940</u>	<u>1,377</u>	<u>437</u>
	340,031	340,031	336,494	(3,537)
Licenses, permits, and fees				
General permits and fees	21,800	21,800	23,589	1,789
Animal control fees	<u>1,500</u>	<u>1,500</u>	<u>2,837</u>	<u>1,337</u>
	23,300	23,300	26,426	3,126
Charges for Services				
Transfer station	192,611	192,611	214,492	21,881
Cable tv franchise fees	26,000	26,000	28,391	2,391
Tower site	25,000	25,000	17,200	(7,800)
Recreation	21,782	21,782	20,367	(1,415)
Miscellaneous charges	<u>1,800</u>	<u>1,800</u>	<u>2,516</u>	<u>716</u>
	267,193	267,193	282,966	15,773
Other Revenue				
Interest on taxes	20,000	20,000	34,139	14,139
Interest on investments	3,000	3,000	7,948	4,948
Contributions	1,030	1,030	2,599	1,569
Miscellaneous	21,500	21,500	20,088	(1,412)
Proceeds - foreclosed property	<u>-</u>	<u>-</u>	<u>55,385</u>	<u>55,385</u>
	45,530	45,530	120,159	74,629
Total Revenues	5,688,206	5,688,206	5,835,359	147,153

Budgetary Comparison Schedule

Schedule 1 (Continued)

General Fund ▪ Budgetary Basis

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Expenditures				
General Government				
Administration	\$ 259,945	\$ 259,945	\$ 233,405	\$ 26,540
Insurance	128,130	128,130	116,750	11,380
Office equipment	3,350	3,350	6,037	(2,687)
Assessing	24,655	24,655	26,743	(2,088)
CEO/LPI/BI	36,505	36,505	40,156	(3,651)
Grant writing	4,000	4,000	-	4,000
Heating assistance	1,500	1,500	370	1,130
	<u>458,085</u>	<u>458,085</u>	<u>423,461</u>	<u>34,624</u>
Municipal Maintenance				
General maintenance	83,825	83,825	73,078	10,747
Building maintenance	29,470	29,470	29,493	(23)
Vehicles maintenance	46,600	46,600	41,465	5,135
Interlocal work	10,000	10,000	-	10,000
	<u>169,895</u>	<u>169,895</u>	<u>144,036</u>	<u>25,859</u>
Boards and Commissions				
Appeals board	100	100	55	45
Conservation commission	7,750	7,750	669	7,081
Planning board	1,450	1,450	524	926
	<u>9,300</u>	<u>9,300</u>	<u>1,248</u>	<u>8,052</u>
Community Services				
Age friendly initiatives	2,000	2,000	219	1,781
Animal control	11,420	11,420	11,458	(38)
Kennebec land trust	250	250	-	250
KVCOG	4,295	4,295	4,295	-
Library services	26,090	26,090	29,491	(3,401)
Readfield television	6,830	6,830	5,638	1,192
Street lights	6,000	6,000	5,820	180
Maranacook lake dam	250	250	-	250
	<u>57,135</u>	<u>57,135</u>	<u>56,921</u>	<u>214</u>
Recreation, Parks, and Activities				
Beach	9,142	9,142	10,065	(923)
Recreation	10,561	10,561	12,770	(2,209)
Trails	2,483	2,483	846	1,637
Heritage days	10,000	10,000	8,091	1,909
Millstream dam project	8,300	8,300	403	7,897
	<u>40,486</u>	<u>40,486</u>	<u>32,175</u>	<u>8,311</u>

Budgetary Comparison Schedule

Schedule 1 (Continued)

General Fund ▪ Budgetary Basis

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Expenditures (Continued)				
Protection Department				
Fire department operations	\$ 87,650	\$ 87,650	\$ 70,378	\$ 17,272
Fire department equipment	8,000	8,000	-	8,000
Ambulance service	25,400	25,400	24,032	1,368
Waterholes	500	500	-	500
Tower sites	27,000	27,000	38,179	(11,179)
Dispatching	30,200	30,200	26,018	4,182
Annual physicals	125	125	-	125
Personal protective gear	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
	180,875	180,875	158,607	22,268
Cemetery Materials and Services				
Town cemeteries	16,050	16,050	11,278	4,772
Roads and Drainage				
Summer road maintenance	117,500	117,500	34,749	82,751
Winter road maintenance	<u>256,450</u>	<u>256,450</u>	<u>253,466</u>	<u>2,984</u>
	373,950	373,950	288,215	85,735
Capital Improvements				
Roads	60,000	60,000	-	60,000
Equipment	5,000	5,000	-	5,000
Gile hall	24,000	24,000	-	24,000
Parks and recreation	7,762	7,762	4,766	2,996
Transfer station	39,050	39,050	3,500	35,550
Maranacook lake dam	<u>125,000</u>	<u>125,000</u>	<u>4,638</u>	<u>120,362</u>
	260,812	260,812	12,904	247,908
Solid Waste Department				
Transfer station	277,376	277,376	294,339	(16,963)
Backhoe operation	<u>5,200</u>	<u>5,200</u>	<u>12,012</u>	<u>(6,812)</u>
	282,576	282,576	306,351	(23,775)
Regional Assessments				
Cobbossee watershed	22,000	22,000	21,436	564
Kennebec county tax	270,000	270,000	259,977	10,023
First park	<u>25,600</u>	<u>25,600</u>	<u>24,449</u>	<u>1,151</u>
	317,600	317,600	305,862	11,738

Budgetary Comparison Schedule

Schedule 1 (Continued)

General Fund ▪ Budgetary Basis

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Expenditures (Continued)				
Debt Service				
2015 fire truck bond / lease	\$ 56,857	\$ 56,857	\$ 56,857	\$ -
2013 road and bridge bond	109,117	109,117	109,117	-
2008 road and bridge bond	<u>162,850</u>	<u>162,850</u>	<u>162,501</u>	<u>349</u>
	328,824	328,824	328,475	349
Education				
RSU # 38	3,527,596	3,527,596	3,527,596	-
Other Expenditures				
Snowmobile club	940	940	940	-
Non-profit agencies	10,832	10,832	9,857	975
Readfield enterprise fund	10,000	10,000	-	10,000
General assistance	4,650	4,650	1,880	2,770
Contingency	25,000	25,000	-	25,000
Abatements and overlay	<u>16,149</u>	<u>16,149</u>	<u>14,440</u>	<u>1,709</u>
	<u>67,571</u>	<u>67,571</u>	<u>27,117</u>	<u>40,454</u>
Total Expenditures	<u>6,090,755</u>	<u>6,090,755</u>	<u>5,624,246</u>	<u>466,509</u>
Net Change in Fund Balance	<u>\$ (402,549)</u>	<u>\$ (402,549)</u>	<u>\$ 211,113</u>	<u>\$ 613,662</u>

Change in Fund Balance Summary

Committed fund bal additions	\$ 10,000	\$ 10,000	\$ -
Committed fund bal reductions	(194,818)	(194,818)	-
Unassigned fund bal additions	-	-	-
Unassigned fund bal reductions	<u>(217,731)</u>	<u>(217,731)</u>	<u>-</u>
	<u>\$ (402,549)</u>	<u>\$ (402,549)</u>	<u>\$ -</u>

Note 1 Budgetary Accounting

On an annual basis, the Town adopts an appropriated budget for the General Fund. Formal budgetary integration is employed as a management control device. The budget is prepared on budgetary basis of accounting that differs from the modified accrual basis of accounting used to prepare financial statements of the General Fund.

Combining Balance Sheet

Schedule 2

Nonmajor Special Revenue Funds

As of June 30, 2018

	<u>Town Boundary Line</u>	<u>Readfield Corner Sewage</u>	<u>Beach Tractor Replacement</u>	<u>Beach Equipment</u>	<u>Total</u>
Assets					
Due from other assets	<u>\$ 656</u>	<u>\$ 1,705</u>	<u>\$ 2,400</u>	<u>\$ 6</u>	<u>\$ 4,767</u>
Fund Balance					
Assigned	<u>\$ 656</u>	<u>\$ 1,705</u>	<u>\$ 2,400</u>	<u>\$ 6</u>	<u>\$ 4,767</u>

**Combining Schedule of Revenues, Expenditures,
and Changes in Fund Balances**
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2018

Schedule 3

	Town Boundary Line	Readfield Corner Sewage	Beach Tractor Replacement	Beach Equipment	Total
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures	-	-	-	-	-
Net Change in Fund Balance	-	-	-	-	-
Beginning Fund Balance	656	1,705	2,400	6	4,767
Ending Fund Balance	<u>\$ 656</u>	<u>\$ 1,705</u>	<u>\$ 2,400</u>	<u>\$ 6</u>	<u>\$ 4,767</u>

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

Schedule 4

	Cemetery Funds				
	Perpetual Care Fund	Whittier Fund	Kents Hill Fund	Cemetery Expansion Fund	Kesner Fund
Assets					
Cash and cash equivalents	\$ 7,203	\$ 174	\$ 963	\$ 963	\$ 47
Investments	132,567	3,210	17,715	17,715	861
Due from other funds	<u>1,363</u>	<u>605</u>	<u>1</u>	<u>1,438</u>	<u>-</u>
Total Assets	<u>\$ 141,133</u>	<u>\$ 3,989</u>	<u>\$ 18,679</u>	<u>\$ 20,116</u>	<u>\$ 908</u>
Liabilities					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 38
Fund Balances					
Nonspendable - principal	81,750	500	4,910	-	300
Restricted	<u>59,383</u>	<u>3,489</u>	<u>13,769</u>	<u>20,116</u>	<u>570</u>
Total fund balances	<u>141,133</u>	<u>3,989</u>	<u>18,679</u>	<u>20,116</u>	<u>870</u>
Total Liabilities and Fund Balances	<u>\$ 141,133</u>	<u>\$ 3,989</u>	<u>\$ 18,679</u>	<u>\$ 20,116</u>	<u>\$ 908</u>

Combining Balance Sheet

Schedule 4 (Continued)

Nonmajor Permanent Funds

As of June 30, 2018

	Cemetery Funds				
	Kolreg Fund	Lincoln Fund	Walker Fund	Townsend Fund	Couture Fund
Assets					
Cash and cash equivalents	\$ 132	\$ 125	\$ 132	\$ 155	\$ 1,832
Investments	2,426	2,296	2,426	2,844	33,709
Due from other funds	<u>-</u>	<u>12</u>	<u>-</u>	<u>-</u>	<u>2</u>
Total Assets	<u><u>\$ 2,558</u></u>	<u><u>\$ 2,433</u></u>	<u><u>\$ 2,558</u></u>	<u><u>\$ 2,999</u></u>	<u><u>\$ 35,543</u></u>
Liabilities					
Due to other funds	\$ 59	\$ -	\$ 64	\$ 2	\$ -
Fund Balances					
Nonspendable - principal	500	500	600	1,738	20,000
Restricted	<u>1,999</u>	<u>1,933</u>	<u>1,894</u>	<u>1,259</u>	<u>15,543</u>
Total fund balances	<u><u>2,499</u></u>	<u><u>2,433</u></u>	<u><u>2,494</u></u>	<u><u>2,997</u></u>	<u><u>35,543</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 2,558</u></u>	<u><u>\$ 2,433</u></u>	<u><u>\$ 2,558</u></u>	<u><u>\$ 2,999</u></u>	<u><u>\$ 35,543</u></u>

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

Schedule 4 (Continued)

	Other Permanent Funds				
	War Memorial Fund	Beach Improvement Fund	Trails Fund	Governor Huntoon Fund	Total
Assets					
Cash and cash equivalents	\$ 193	\$ 1,975	\$ -	\$ 282	14,176
Investments	3,548	36,344	-	5,247	260,908
Due from other funds	-	-	25	203	3,649
Total Assets	<u>\$ 3,741</u>	<u>\$ 38,319</u>	<u>\$ 25</u>	<u>\$ 5,732</u>	<u>\$ 278,733</u>
Liabilities					
Due to other funds	\$ 11	\$ 7	\$ -	\$ -	181
Fund Balances					
Nonspendable - principal	2,157	16,915	-	338	130,208
Restricted	<u>1,573</u>	<u>21,397</u>	<u>25</u>	<u>5,394</u>	<u>148,344</u>
Total fund balances	<u>3,730</u>	<u>38,312</u>	<u>25</u>	<u>5,732</u>	<u>278,552</u>
Total Liabilities and Fund Balances	<u>\$ 3,741</u>	<u>\$ 38,319</u>	<u>\$ 25</u>	<u>\$ 5,732</u>	<u>\$ 278,733</u>

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

Schedule 5

Nonmajor Permanent Funds

For the Year Ended June 30, 2018

	Cemetery Funds				
	Perpetual Care Fund	Whittier Fund	Kents Hill Fund	Cemetery Expansion Fund	Kesner Fund
Revenues					
Investment income	\$ 5,583	\$ 135	\$ 747	\$ 746	\$ 36
Other revenue	<u>2,400</u>	<u>-</u>	<u>-</u>	<u>800</u>	<u>-</u>
Total revenue	7,983	135	747	1,546	36
Expenditures					
Program expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9</u>
Net Change in Fund Balance	7,983	135	747	1,546	27
Beginning Fund Balance	<u>133,150</u>	<u>3,854</u>	<u>17,932</u>	<u>18,570</u>	<u>843</u>
Ending Fund Balance	<u>\$ 141,133</u>	<u>\$ 3,989</u>	<u>\$ 18,679</u>	<u>\$ 20,116</u>	<u>\$ 870</u>

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

Schedule 5 (Continued)

Nonmajor Permanent Funds

For the Year Ended June 30, 2018

	Cemetery Funds				
	Kolreg Fund	Lincoln Fund	Walker Fund	Townsend Fund	Couture Fund
Revenues					
Investment income	\$ 101	\$ 96	\$ 102	\$ 121	\$ 1,420
Other revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	101	96	102	121	1,420
Expenditures					
Program expenditures	<u>9</u>	<u>-</u>	<u>9</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	92	96	93	121	1,420
Beginning Fund Balance	<u>2,407</u>	<u>2,337</u>	<u>2,401</u>	<u>2,876</u>	<u>34,123</u>
Ending Fund Balance	<u>\$ 2,499</u>	<u>\$ 2,433</u>	<u>\$ 2,494</u>	<u>\$ 2,997</u>	<u>\$ 35,543</u>

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

Schedule 5 (Continued)

Nonmajor Permanent Funds

For the Year Ended June 30, 2018

	Other Permanent Funds				Total
	War Memorial Fund	Beach Improvement Fund	Trails Fund	Governor Huntoon Fund	
Revenues					
Investment income	\$ 150	\$ 1,531	\$ -	\$ 221	\$ 10,989
Other revenue	-	-	-	-	3,200
Total revenue	150	1,531	-	221	14,189
Expenditures					
Program expenditures	-	-	-	-	27
Net Change in Fund Balance	150	1,531	-	221	14,162
Beginning Fund Balance	3,580	36,781	25	5,511	264,390
Ending Fund Balance	<u>\$ 3,730</u>	<u>\$ 38,312</u>	<u>\$ 25</u>	<u>\$ 5,732</u>	<u>\$ 278,552</u>

Schedule of Changes in Reserve Funds

Schedule 6

General Fund Committed Fund Balances

For the Year Ended June 30, 2018

	Beginning Balance	Net Transfers In (Out)	Program Revenues	Program Expenditures	Ending Balance
Admin technology	\$ 3,730	\$ -	\$ -	\$ -	\$ 3,730
Age friendly	841	2,000	-	(219)	2,622
Backhoe	30,260	-	-	-	30,260
Ballfield	2,769	5,000	1	(4,766)	3,004
Beach	10,377	-	7,814	(10,066)	8,125
Cemeteries	4,514	12,050	21	(11,278)	5,307
Cemeteries - living fence	14	-	-	-	14
Cemetery capital	12,900	-	-	-	12,900
Dispatching	5,525	-	-	-	5,525
Dog vaccination fund	-	-	390	-	390
Enterprise fund	53,899	-	389	-	54,288
FD annual physicals	4,792	-	-	-	4,792
FD equipment	43,989	75,650	311	(70,378)	49,572
Fire PPG replacement	3,984	2,000	-	-	5,984
Fire tower sites	6,644	2,000	17,200	(38,179)	(12,335)
Fire station addition	35,522	-	-	-	35,522
Fire station improvement	9,205	-	-	-	9,205
Forestry	697	-	-	-	697
Gile hall	24,836	-	-	-	24,836
Grant writing	6,792	4,000	-	-	10,792
Heating assistance	2,241	-	1,216	(370)	3,087
Heritage days	6,718	5,000	2,925	(8,091)	6,552
Library operations	8,176	24,010	4,044	(29,491)	6,739
Library improvements	1,122	-	-	-	1,122
Maranacook dam	45,661	79,340	-	(4,638)	120,363
Mill stream bridge	369	-	-	-	369
Mill stream dam	6,221	-	-	(403)	5,818
Open space	6,815	-	-	-	6,815
Capital equipment	20,000	5,000	-	-	25,000
Recreation	27,969	(5,000)	9,378	(12,770)	19,577
Revaluation	75,000	10,000	-	-	85,000
Road and bridge bond	5,830	-	-	-	5,830
Road bond 13-14	454	-	-	-	454
Sidewalk capital	-	45,000	-	-	45,000
Roads capital	-	15,000	-	-	15,000
Snowmobiling	943	-	1,377	(941)	1,379
Summer roads	133,316	293,950	36,024	(288,215)	175,075
Conservation land	28,345	700	38	(669)	28,414
Trails	105	2,483	250	(845)	1,993
Transfer station ops	8,043	100,942	23,072	(129,862)	2,195
Transfer station cap	64,382	8,075	10,553	(3,500)	79,510
Water holes	3,782	500	-	-	4,282
Total	\$ 706,782	\$ 687,700	\$ 115,003	\$ (614,681)	\$ 894,804



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 Readfield

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Readfield, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Town of Readfield's basic financial statements, and have issued our report thereon dated March 13, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Readfield'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 Readfield's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Readfield'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, 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 Readfield'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 *Governmental 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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Berry Talbot Royer". The signature is written in a cursive, flowing style.

Certified Public Accountants

March 13, 2019