

Town of Readfield



Annual Financial Statements
For the year Ended June 30, 2020

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, 2020, 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, 2020, 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 34-38 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
May 17, 2021



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, 2020. 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 \$22,646,378 as of the end of the fiscal year. This year's total net position includes an unrestricted portion totaling \$2,867,503 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 \$42,471. The Town's net expenses of \$5,845,988 were less than general revenues of \$5,888,459.
- Total governmental activities' expenses in fiscal year 2020 were down by \$178,997 from fiscal year 2019. Also, total governmental activities' revenues in fiscal year 2020 were up \$143,918 from fiscal year 2019.
- In the General Fund, the Town's unassigned fund balance decreased by \$13,058 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 21.6%, which is down from 22.9% in the prior year.
- The Town's total bonded and other long-term debt increased by \$439,736, which included \$30,419 of capital lease payments and \$172,489 of general obligation bond payments. The Town issued a new general obligation bond in the amount of \$550,000. The Town also entered into two capital lease agreements in the amounts of \$52,594 and \$40,050.

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 \$22.65 million at the end of the fiscal year 2020, compared to \$22.60 million at the end of the fiscal year 2019.

Table A
Town of Readfield
Condensed Statement of Net Position
As of June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
Current assets	\$ 3,334,330	\$ 2,928,298	\$ 406,032	13.87%
Capital assets, net	<u>20,601,031</u>	<u>20,490,050</u>	<u>110,981</u>	0.54%
Total assets	23,935,361	23,418,348	517,013	
			-	
Current liabilities	333,525	288,653	44,872	15.55%
Long-term liabilities	<u>929,834</u>	<u>508,291</u>	<u>421,543</u>	82.93%
Total liabilities	1,263,359	796,944	466,415	
Deferred inflows of resources	25,624	17,497	8,127	46.45%
Net investment in capital assets	19,476,045	19,804,205	(328,160)	-1.66%
Restricted	302,830	293,326	9,504	3.24%
Unrestricted	<u>2,867,503</u>	<u>2,506,376</u>	<u>361,127</u>	14.41%
Total net position	<u>\$ 22,646,378</u>	<u>\$ 22,603,907</u>	<u>\$ 42,471</u>	0.19%

Table B
 Town of Readfield
 Condensed Statement of Activities
 For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
Charges for services	\$ 282,668	\$ 261,288	\$ 21,380	8.18%
Operating grants and contributions	<u>47,000</u>	<u>88,170</u>	<u>(41,170)</u>	-46.69%
Total program revenues	329,668	349,458	(19,790)	-5.66%
Taxes	5,301,326	5,246,711	54,615	1.04%
Intergovernmental	437,648	360,253	77,395	21.48%
Other	<u>149,485</u>	<u>117,787</u>	<u>31,698</u>	26.91%
Total general revenues	5,888,459	5,724,751	163,708	
Total Revenues	6,218,127	6,074,209	143,918	2.37%
General government	422,624	517,591	(94,967)	-18.35%
Boards and commissions	3,205	46,503	(43,298)	-93.11%
Community services	63,332	76,513	(13,181)	-17.23%
Recreation, parks and activities	29,031	32,965	(3,934)	-11.93%
Protection	165,704	205,069	(39,365)	-19.20%
Cemeteries	9,252	15,346	(6,094)	-39.71%
Roads and drainage	452,533	899,233	(446,700)	-49.68%
Solid waste	308,119	310,607	(2,488)	-0.80%
Education	3,710,394	3,556,960	153,434	4.31%
Regional assessments	332,993	312,871	20,122	6.43%
Capital improvements	525,041	225,781	299,260	132.54%
Interest on long-term debt	11,588	11,735	(147)	-1.25%
Municipal maintenance	121,430	110,124	11,306	N/A
General assistance	<u>20,410</u>	<u>33,355</u>	<u>(12,945)</u>	-38.81%
Total expenses	<u>6,175,656</u>	<u>6,354,653</u>	<u>(178,997)</u>	-3%
Change in net position	<u>\$ 42,471</u>	<u>\$ (280,444)</u>	<u>\$ 322,915</u>	-115%

Overall, total revenues went up in fiscal year 2020 compared to fiscal year 2019 by just about 2.37%. Most of the increase came from taxes and intergovernmental. Total expenses were down by 3%; this led to an increase in net position of \$42,471, compared to 2019's results, which showed a \$280,444 decrease in net position.

Chart A
Revenue by Source

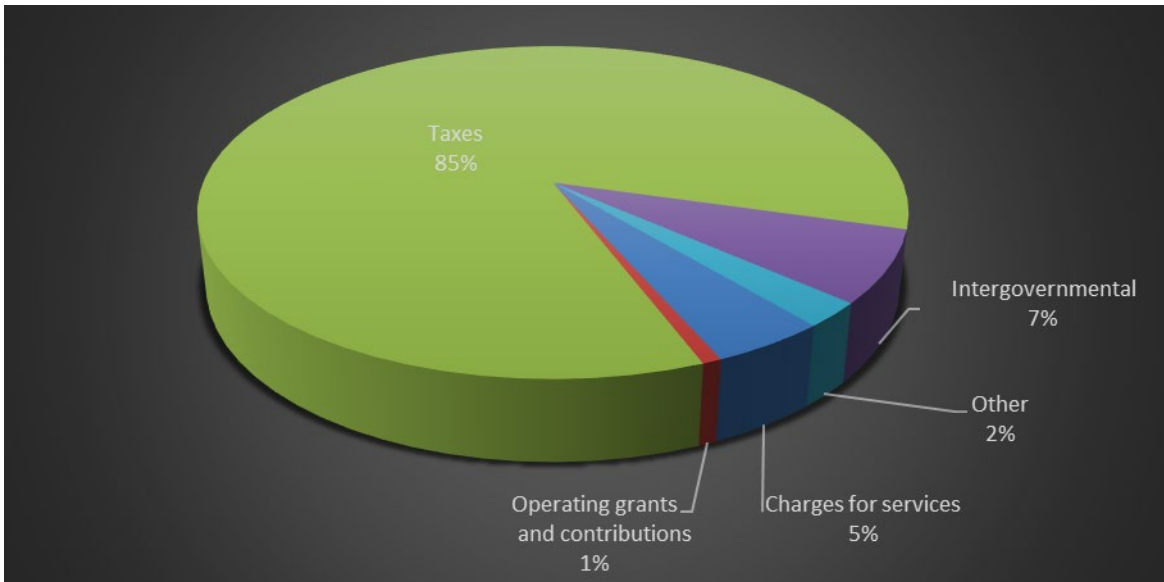


Chart A shows the relative size of revenues based on their source. The largest source of revenues is, of course, taxes at 85%, followed by Intergovernmental at 7% and Charges for Services at 5%.

Chart B
Expenses by Program

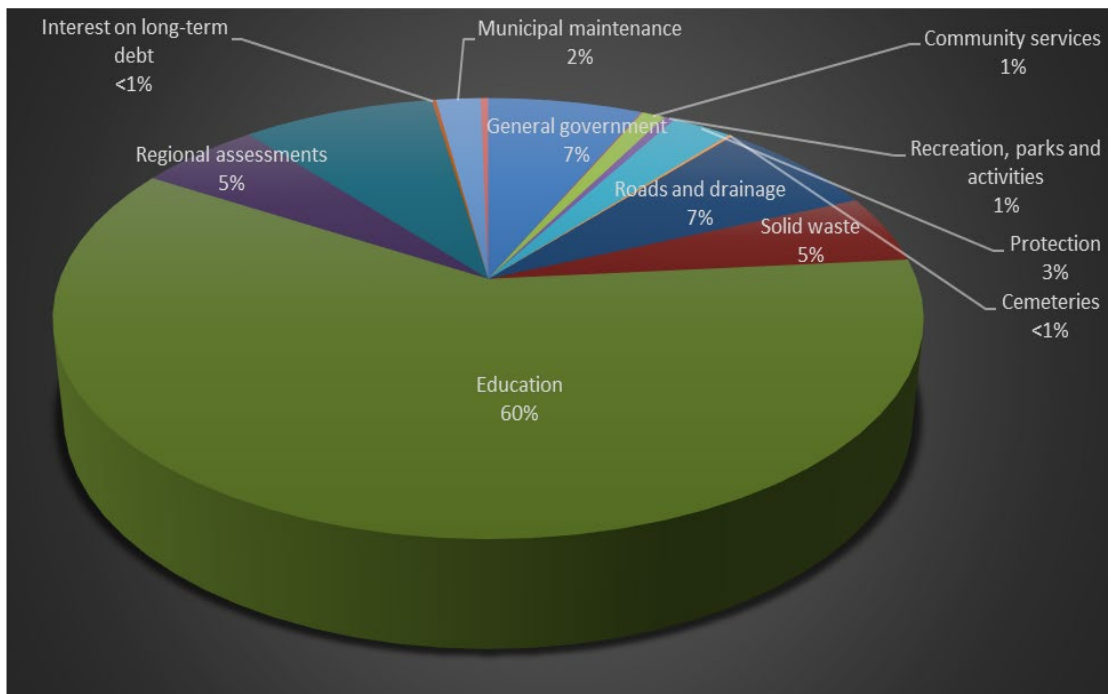


Chart B shows the relative sizes of expenses based on the program. Fixed charges, which includes education takes up the largest share of expenses at 60%. Roads and drainage and general government are each 7% of expenses.

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 \$2,763,717 and \$2,334,188 for fiscal years 2020 and 2019, respectively, which is a \$429,529 increase in the current fiscal year. The unassigned fund balance had fund balances of \$1,385,333 and \$1,398,391 for fiscal years 2020 and 2019, respectively, which is a \$13,058 decrease in the current fiscal year. In addition, the committed fund balance increased \$442,587 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 2020 and 2019. Total permanent funds fund balances were \$302,830 and \$293,326 for fiscal years 2020 and 2019, respectively, which represents a \$9,504 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 11, 2019, budgeted a deficit of \$365,148 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, tax revenues came in at \$132,227 above budget, driven mostly by a \$76,249 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 \$832,830. The departments with the largest budget-to-actual variances were Capital Improvements (\$695,124 and 51.3% under budget), General Government (\$22,785 and 5% under budget), and Roads and drainage (\$13,677 and 3.7% over budget).

As a result of revenues coming in over budget, and expenditures coming in under budget, the Town experienced a surplus of \$1,045,250 on a budgetary basis (which differs from the GAAP 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, 2020, has a book value of \$31,088,286, less accumulated depreciation of \$10,487,255. 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 \$714,657 of capital asset additions and \$68,407 of disposals of capital assets in the current year. Depreciation expense for the current year, totaled \$603,676.

Table C
Capital Assets Net Book Value Comparisons
As of June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
Land	\$ 2,865,844	\$ 2,865,844	\$ -	-
Buildings and Improvements	1,276,756	1,021,793	254,963	25%
Machinery, equipment & vehicles	1,668,212	1,583,088	85,124	5%
Infrastructure	<u>25,277,474</u>	<u>24,971,311</u>	<u>306,163</u>	1%
Totals	<u>\$ 31,088,286</u>	<u>\$ 30,442,036</u>	<u>\$ 646,250</u>	

Chart C
Composition of Capital Assets

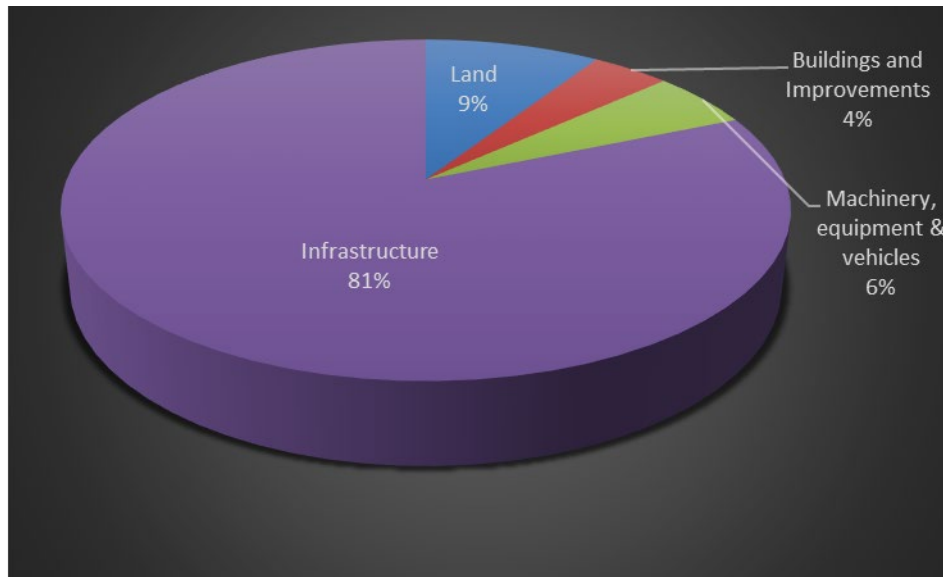


Chart C shows the composition of the capital assets and each of their classes in terms of their relative size to each other.

Chart D
Consumption of Capital Assets

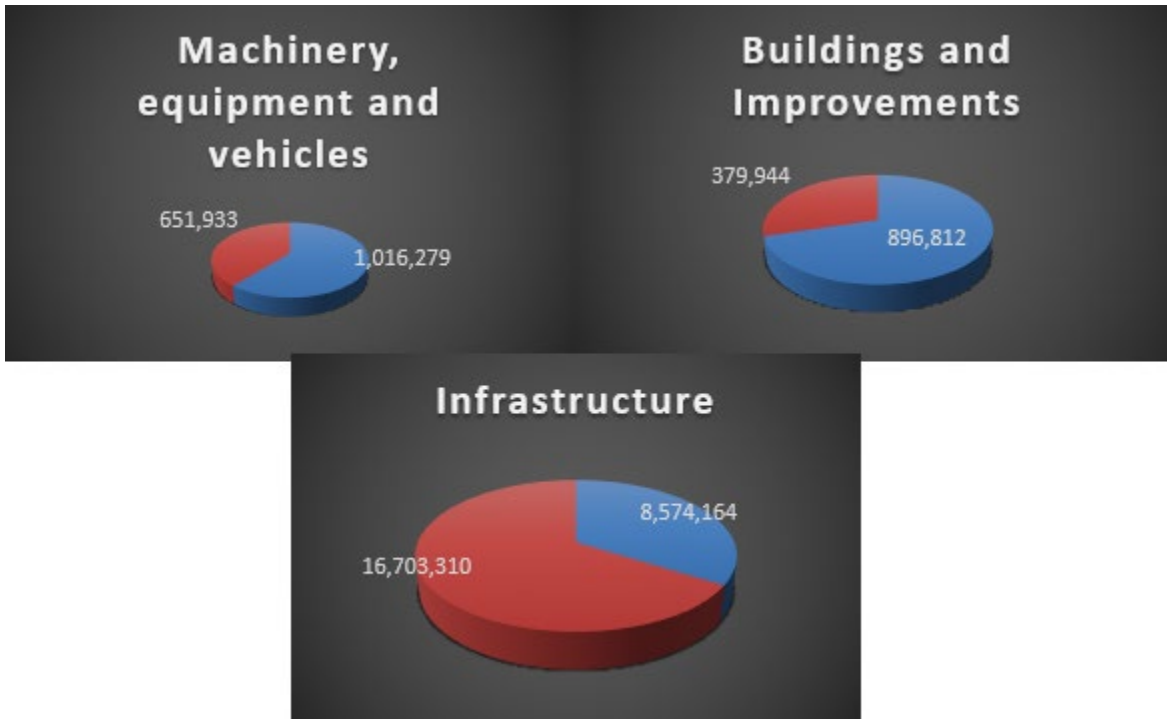


Chart D provides a graphical depiction of how much of each asset class’ total cost has been expensed as depreciation, as of June 30, 2020. The entire pie represents total cost, the red portion represents net book value (or, undepreciated cost), and the blue portion represents accumulated depreciation. 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 \$1,003,351 in general obligation and \$115,563 in capital leases - an increase of approximately \$377,511, and an increase of \$62,225 over last year, respectively. There was a bond issuance in the amount of \$550,000 during the current fiscal year. The Town paid down its debt during the year in the amount of \$202,907, which included \$30,419 of capital lease payments and \$172,489 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, 2020 and 2019

	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
General obligation bonds	\$ 1,003,351	\$ 625,840	\$ 377,511	60%
Capital lease payable	<u>115,563</u>	<u>53,338</u>	<u>62,225</u>	117%
Totals	<u>\$ 1,118,914</u>	<u>\$ 679,178</u>	<u>\$ 439,736</u>	65%

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, 2020

	Governmental Activities
Assets	
Cash and equivalents	\$ 2,627,253
Investments	419,367
Accounts receivable	15,030
Taxes receivable	252,347
Personal property tax receivable, net	<u>20,333</u>
Total current assets	3,334,330
Land	2,865,844
Depreciable capital assets	28,222,442
Accumulated depreciation	<u>(10,487,255)</u>
Net capital assets	<u>20,601,031</u>
Total Assets	23,935,361
Liabilities	
Accounts payable	108,693
Accrued wages	11,965
Accrued interest	6,072
Long-term debt - due within one year	<u>206,795</u>
Total current liabilities	333,525
Accrued compensated absences	17,715
Long-term debt - due beyond one year	<u>912,119</u>
Total non-current liabilities	<u>929,834</u>
Total Liabilities	1,263,359
Deferred Inflows of Resources	
Prepaid property taxes	<u>25,624</u>
Net Position	
Net investment in capital assets	19,476,045
Restricted for:	
Nonexpendable permanent fund principal	133,358
Expendable permanent fund balances	169,472
Unrestricted	<u>2,867,503</u>
Total Net Position	<u>\$ 22,646,378</u>

Statement of Activities

Statement 2

For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Primary Government				
Governmental Activities				
General government	\$ 422,624	\$ 2,894	\$ -	\$ (419,730)
Boards and commissions	3,205	-	7,355	4,150
Community services	63,332	31,835	2,853	(28,644)
Recreation, parks, and activities	29,031	19,460	-	(9,571)
Protection	165,704	4,932	-	(160,772)
Cemeteries	9,252	-	100	(9,152)
Roads and drainage	452,533	-	36,560	(415,973)
Solid waste	308,119	223,547	-	(84,572)
Education	3,710,394	-	-	(3,710,394)
Regional assessments	332,993	-	-	(332,993)
Capital improvements	525,041	-	-	(525,041)
Debt service	11,588	-	-	(11,588)
Municipal maintenance	121,430	-	-	(121,430)
Other expenses	20,410	-	132	(20,278)
Total Primary Government	\$ 6,175,656	\$ 282,668	\$ 47,000	(5,845,988)
General Revenues				
				5,301,326
				437,648
				27,213
				32,852
				75,420
				14,000
				<u>5,888,459</u>
				Change in Net Position 42,471
				Beginning Net Position <u>22,603,907</u>
				Ending Net Position <u>\$ 22,646,378</u>

Balance Sheet

Statement 3

Governmental Funds

As of June 30, 2020

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and cash equivalents	\$ 2,621,203	\$ 6,050	\$ 2,627,253
Investments	127,200	292,167	419,367
Accounts receivable	15,030	-	15,030
Taxes receivable	252,347	-	252,347
Personal property tax receivable, net	20,333	-	20,333
Due from other funds	<u>-</u>	<u>9,381</u>	<u>9,381</u>
Total Assets	<u>\$ 3,036,113</u>	<u>\$ 307,598</u>	<u>\$ 3,343,711</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	\$ 108,693	\$ -	\$ 108,693
Accrued wages	11,965	-	11,965
Due to other funds	<u>9,381</u>	<u>-</u>	<u>9,381</u>
Total liabilities	130,039	-	130,039
Deferred Inflows of Resources			
Prepaid property taxes	25,624	-	25,624
Unavailable property taxes	<u>116,733</u>	<u>-</u>	<u>116,733</u>
Total deferred inflows of resources	142,357	-	142,357
Fund Balances			
Nonspendable	-	133,358	133,358
Restricted	-	169,472	169,472
Committed	1,378,384	-	1,378,384
Assigned	-	4,768	4,768
Unassigned	<u>1,385,333</u>	<u>-</u>	<u>1,385,333</u>
Total fund balances	<u>2,763,717</u>	<u>307,598</u>	<u>3,071,315</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,036,113</u>	<u>\$ 307,598</u>	<u>\$ 3,343,711</u>

Reconciliation Statement

Statement 4

Total Governmental Fund Balances to the
Net Position of Governmental Activities
As of June 30, 2020

Total governmental funds balance, per Statement 3 \$ 3,071,315

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 20,601,031

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 (6,072)

Accrued compensated absences (17,715)

Long-term debt (1,118,914)

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 116,733

Net position of governmental activities, per Statement 1 \$ 22,646,378

Statement of Revenues, Expenditures, and Changes in Fund Balances

Statement 5

Governmental Funds

For the Year Ended June 30, 2020

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 5,372,770	\$ -	\$ 5,372,770
Intergovernmental	474,340	-	474,340
Licenses, permits, and fees	27,213	-	27,213
Charges for services	282,669	-	282,669
Penalties and interest	32,852	-	32,852
Contributions	10,308	-	10,308
Other revenue	<u>65,915</u>	<u>9,505</u>	<u>75,420</u>
Total revenues	6,266,067	9,505	6,275,572
Expenditures			
General government	462,965	-	462,965
Boards and commissions	3,205	-	3,205
Community services	63,332	-	63,332
Recreation, parks, and activities	24,472	-	24,472
Protection	120,942	-	120,942
Cemeteries	9,252	-	9,252
Roads and drainage	384,788	-	384,788
Solid waste	300,932	-	300,932
Education	3,710,394	-	3,710,394
Regional assessments	332,993	-	332,993
Capital improvements	660,751	-	660,751
Debt service	184,672	-	184,672
Municipal maintenance	121,430	-	121,430
Other expenses	<u>20,410</u>	<u>-</u>	<u>20,410</u>
Total expenditures	6,400,538	-	6,400,538
Revenue Surplus (Deficit)	(134,471)	9,505	(124,966)
Other Financing Sources (Uses)			
Gain on sale of asset	14,000	-	14,000
Bond Proceeds	<u>550,000</u>	<u>-</u>	<u>550,000</u>
	564,000	-	564,000
Net Change in Fund Balance	429,529	9,505	439,034
Beginning Fund Balances	<u>2,334,188</u>	<u>298,093</u>	<u>2,632,281</u>
Ending Fund Balances	<u>\$ 2,763,717</u>	<u>\$ 307,598</u>	<u>\$ 3,071,315</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, 2020

Net change in fund balances of governmental funds, per Statement 5 \$ 439,034

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

Bond Proceeds	(550,000)
Capital lease proceeds	(92,644)

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	172,489
Capital lease obligation principal payments	30,419

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.

Decrease in unavailable property taxes	(71,444)
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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	714,657
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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	(603,675)
Increase in accrued interest expense	595
Decrease in accrued compensated absences	3,040
	<u>3,040</u>

Change in net position of governmental activities, per Statement 2 \$ 42,471

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 and are presented as “due from other funds” and “due to other funds,” respectively, on the balance sheets of the fund financial statements. For reporting purposes, current amounts due from and due to the same funds are offset and the net amounts are shown in the respective fund balance sheets.

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 \$15,030 for the year ended June 30, 2020.

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, 2020, the accrual for compensated absences was determined to be \$17,715.

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	\$ 31,088,286
Accumulated depreciation	(10,487,255)
Bonds and notes payable	<u>(1,124,986)</u>
Net Investment in capital assets	<u>\$ 19,476,045</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. 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, 2020, the total amount of the Town's bank deposits was insured by the FDIC or collateralized using a sweep account.

Note 3 Investments

At June 30, 2020, the Town had the following investments and maturities:

Investment Type	Fair Value	Not Applicable	Maturities	
			< 1 Year	1-5 Years
Certificate of Deposits	\$ 127,200	\$ -	\$ 127,200	\$ -
Mutual Funds	292,167	292,167	-	-
Totals	<u>\$ 419,367</u>	<u>\$ 292,167</u>	<u>\$ 127,200</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
Columbia Quality Income	6.35%	\$ 26,612
Community Capital	5.78%	\$ 24,254
JP Morgan Mortgage	6.39%	\$ 26,810
Oppenheimer Core	5.52%	\$ 23,135
Pimco Investment Grade	5.74%	\$ 24,064
Prudential Total Return	5.78%	\$ 24,247

Custodial Credit Risk

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

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, 2020.

Investments by Fair Value Level	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
Mutual Funds	\$ 292,167	\$ 292,167	\$ -	\$ -
Totals	\$ 292,167	\$ 292,167	\$ -	\$ -

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 2 or Level 3 investments. Certificates of deposit held with local financial institutions for \$127,200 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, 2019 to June 30, 2020 fiscal year were committed on July 31, 2019. Taxes are due semi-annually on September 28, 2019 and February 29, 2020. Unpaid taxes are charged interest of 9% per annum. The real estate and taxable personal property assessed value upon which the levy for the year ended June 30, 2020 was based amounted to \$240,794,785.

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 \$22,707 for the year ended June 30, 2020. 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 2020:

Real estate valuation	\$ 239,131,154
Personal property valuation	<u>1,663,631</u>
Total valuation	240,794,785
Mil rate (per \$1,000 of valuation)	19.55
Tax commitment	<u>\$ 4,707,538</u>

Collection of 2020 taxes levied is as follows:

Original tax commitment	\$ 4,707,538
Supplemental taxes	<u>1,330</u>
Total tax commitment	4,708,868
Less:	
Abatements of current year taxes	3,472
Current year taxes receivable at year end	<u>201,169</u>
Current year tax collections	<u>\$ 4,504,227</u>
Collection rate of current year taxes	95.7%

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

Individual interfund receivable and payable balances at June 30, 2020 are as follows:

	<u>Due from Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ -	\$ 9,381
Trust Fund	4,613	-
Special Revenue Fund	<u>4,768</u>	-
Totals	<u>\$ 9,381</u>	<u>\$ 9,381</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, 2020 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	254,963	-	1,276,756
Machinery, equipment and vehicles	1,583,088	153,531	(68,407)	1,668,212
Infrastructure	<u>24,971,311</u>	<u>306,163</u>	<u>-</u>	<u>25,277,474</u>
Total capital assets	30,442,036	714,657	(68,407)	31,088,286
Less: Accumulated Depreciation				
Buildings and Improvements	862,731	34,081	-	896,812
Machinery, equipment and vehicles	1,014,516	70,170	(68,407)	1,016,279
Infrastructure	<u>8,074,739</u>	<u>499,425</u>	<u>-</u>	<u>8,574,164</u>
Total accumulated depreciation	<u>9,951,986</u>	<u>603,676</u>	<u>(68,407)</u>	<u>10,487,255</u>
Total capital assets, net of depreciation	<u>\$ 20,490,050</u>	<u>\$ 110,981</u>	<u>\$ -</u>	<u>\$ 20,601,031</u>

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

General Government	\$ 26,407
Recreation, parks and activities	4,559
Protection	44,764
Roads and drainage	520,759
Solid waste	<u>7,187</u>
Total depreciation expense	<u>\$ 603,676</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, 2020:

	Beginning Balance	Debt Addition	Principal Payment	Ending Balance	Due Within One Year
Bonds Payable	\$ 625,840	\$ 550,000	\$ (172,489)	\$ 1,003,351	\$ 169,351
Capital Lease Payable	53,338	92,644	(30,419)	115,563	37,444
Total long-term debt	<u>\$ 679,178</u>	<u>\$ 642,644</u>	<u>\$ (202,908)</u>	<u>\$ 1,118,914</u>	<u>\$ 206,795</u>

On the modified accrual basis, total long-term interest expenditure from the General Fund for the year ended June 30, 2020 was \$12,183. 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, 2020 was \$12,855.

The annual requirement to amortize debt outstanding as of June 30, 2020 is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
Fiscal Year 2021	\$ 169,351	\$ 18,242	\$ 187,593
Fiscal Year 2022	104,667	15,148	119,815
Fiscal Year 2023	104,667	13,491	118,158
Fiscal Year 2024	104,667	11,741	116,408
Fiscal Year 2025	52,667	10,383	63,050
Fiscal Years 2066 - 2030	247,333	37,312	284,645
Fiscal Years 2031 - 2035	183,333	16,712	200,045
Fiscal Years 2036 - 2040	36,666	523	37,189
Totals	<u>\$ 1,003,351</u>	<u>\$ 123,552</u>	<u>\$ 1,126,903</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 following is a schedule of future minimum lease payments under capital leases at June 30, 2020.

Fiscal Year 2021	\$ 40,918
Fiscal Year 2022	24,780
Fiscal Year 2023	24,780
Fiscal Year 2024	24,780
Fiscal Year 2025	8,618
Total minimum lease payments	123,876
Less amounts representing interest	(8,313)
Present value of future minimum lease payments	<u>\$ 115,563</u>

Note 7 Long-Term Debt (continued)

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

2013 General Obligation Bond, dated July 24, 2013; annual principal and interest payment due in July. Interest rate of 2.230% per annum, calculated on an actual 365-day year. Final installment due July 2020. Authorized and issued \$700,000.	\$ 101,351
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.	208,000
2018 General Obligation Bond, dated November 1, 2018; annual principal payment due November of \$16,000. Semi-annual interest payable in November and May; variable interest rate of 2.20-2.99% per annum. Final installment due November 2028. Authorized and issued \$160,000.	144,000
2020 General Obligation Bond, dated May 21, 2020; annual principal payment due November of \$36,666. Semi-annual interest payable in November and May; interest rate of 1.190-2.854% per annum. Final installment due November 2035. Authorized and issued \$550,000.	550,000
2018 Bobcat - Capital Lease, dated August 15, 2018; annual principal and interest payment due in August. Interest rate of 3.77% per annum. Final installment due August 2020.	15,552
2018 Toshiba Copier - Capital Lease, dated March 28, 2018; principal and interest payment due monthly. Interest rate of 3.50% per annum. Final installment due June 2024.	18,552
2020 Backhoe - Capital Lease, dated January 22, 2020; annual principal and interest payment due in January. Interest rate of 3.17% per annum. Final installment due January 2024.	41,409
2020 Compactor- Capital Lease, dated March 23, 2020; annual principal and interest payment due in March. Interest rate of 2.49% per annum. Final installment due March 2025.	<u>40,050</u>
Total Outstanding Long-term Debt	<u>\$ 1,118,914</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 27.4% (\$1,802,641) of RSU#38's outstanding bonded debt of \$6,581,384.

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.

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, 2020. 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.

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 Fund Balance

The General Fund's unassigned fund balance as of June 30, 2020 is \$1,385,333.

	Nonspendable	Restricted	Assigned	Committed
Age friendly	\$ -	\$ -	\$ -	\$ 2,257
Alice Couture	20,000	18,136	-	-
Ballfield	-	-	-	1,949
Beach	-	-	-	6,936
Beach Improvement	16,915	24,193	-	-
Beach tractor replacement	-	-	2,400	-
Beach equipment	-	-	6	-
Capital equip. leases	-	-	-	5,874
Capital equipment	-	-	-	36,595
Cemeteries	84,900	69,647	-	14,609
Cemeteries - living fence	-	-	-	14
Cemetery capital	-	-	-	19,290
Cemetery expansion	-	22,550	-	-
Conservation land	-	-	-	9,552
Dispatching	-	-	-	5,525
Dog vaccination fund	-	-	-	535
Enterprise fund	-	-	-	54,288
FD reserve	-	-	-	61,336
Fire station addition	-	-	-	498,209
Fire station improvement	-	-	-	9,205
Forestry	-	-	-	697
Gile hall	-	-	-	17,507
Grant writing	-	-	-	8,942
Governor Huntoon	339	5,797	-	-
Heating assistance	-	-	-	6,462
Heritage days	-	-	-	4,082
Kents Hill	4,910	15,132	-	-
Kesner	300	610	-	-
Kolreg	500	2,160	-	-
Library operations	-	-	-	15,251
Library improvements	-	-	-	42,314
Lincoln-Morse	500	2,111	-	-
Local tax relief	-	-	-	49,617
Mill stream bridge	-	-	-	369
Minnie Walker	600	2,053	-	-
Open space	-	-	-	6,815
Readfield corner sewage	-	-	1,705	-
Recreation	-	-	-	20,121
Revaluation	-	-	-	105,000
Road bond 13-14	-	-	-	454
Roads	-	-	-	81,868
Roads capital	-	-	-	190,948
Sidewalk capital	-	-	-	45,000
Snowmobiling	-	-	-	1,479
Townsend	1,738	1,476	-	-
Town boundary lines	-	-	657	-
Town properties	-	-	-	2,183
Trails	-	25	-	4,376
Transfer station ops	-	-	-	13,077
Transfer station cap	-	-	-	35,618
War Memorial	2,156	1,846	-	-
Whittier	500	3,736	-	-
	<u>500</u>	<u>3,736</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 133,358</u>	<u>\$ 169,472</u>	<u>\$ 4,768</u>	<u>\$ 1,378,354</u>

Note 14 Subsequent Events

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were available to be issued, which was the same as the report date.

Budgetary Comparison Schedule

Schedule 1

General Fund ▪ Budgetary Basis

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Taxes				
Property taxes	\$ 4,707,543	\$ 4,707,543	\$ 4,763,547	\$ 56,004
Motor vehicle excise taxes	525,000	525,000	601,249	76,249
Boat excise taxes	8,000	8,000	7,974	(26)
	<u>5,240,543</u>	<u>5,240,543</u>	<u>5,372,770</u>	<u>132,227</u>
Intergovernmental				
State revenue sharing	158,500	200,000	230,696	30,696
Homestead exemption	181,150	185,822	180,460	(5,362)
Local road assistance	35,000	35,000	36,560	1,560
Tree growth reimbursement	9,000	9,000	8,553	(447)
BETE reimbursement	13,805	12,625	12,661	36
Covid-19 reimbursement	-	-	1,000	1,000
Veterans exemption	4,000	4,000	2,802	(1,198)
General assistance	2,250	2,250	132	(2,118)
Snowmobile fees	1,344	1,344	1,476	132
	<u>405,049</u>	<u>450,041</u>	<u>474,340</u>	<u>24,299</u>
Licenses, permits, and fees				
General permits and fees	24,700	24,700	25,119	419
Animal control fees	2,500	2,500	2,094	(406)
	<u>27,200</u>	<u>27,200</u>	<u>27,213</u>	<u>13</u>
Charges for Services				
Transfer station: Operating	191,025	191,025	207,359	16,334
Transfer station: Capital	11,646	11,646	16,189	4,543
Cable tv franchise fees	28,000	28,000	30,910	2,910
Tower site	3,200	3,200	4,932	1,732
Recreation	21,122	21,122	19,460	(1,662)
Miscellaneous charges	1,700	1,700	3,819	2,119
	<u>256,693</u>	<u>256,693</u>	<u>282,669</u>	<u>25,976</u>
Other Revenue				
Interest on taxes	30,000	30,000	32,852	2,852
Interest on investments	6,000	6,000	15,184	9,184
Contributions	1,171	1,171	10,308	9,137
Miscellaneous	42,000	42,000	50,732	8,732
Proceeds from sale of asset	-	14,000	14,000	-
Proceeds from bond	550,000	550,000	550,000	-
	<u>629,171</u>	<u>643,171</u>	<u>673,076</u>	<u>29,905</u>
Total Revenues	<u>6,558,656</u>	<u>6,617,648</u>	<u>6,830,068</u>	<u>212,420</u>

Budgetary Comparison Schedule

Schedule 1 (Continued)

General Fund ▪ Budgetary Basis

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Expenditures				
General Government				
Administration	\$ 264,825	\$ 264,825	\$ 259,716	\$ 5,109
Insurance	131,340	130,995	119,921	11,074
Office equipment	5,400	5,670	7,015	(1,345)
Assessing	19,875	19,875	17,532	2,343
CEO/LPI/BI	37,810	37,810	32,385	5,425
Grant writing	2,000	2,000	-	2,000
Heating assistance	1,500	1,575	1,596	(21)
Attorney Fees	<u>23,000</u>	<u>23,000</u>	<u>24,800</u>	<u>(1,800)</u>
	485,750	485,750	462,965	22,785
Municipal Maintenance				
General maintenance	91,425	87,466	69,050	18,416
Building maintenance	37,000	38,850	45,287	(6,437)
Vehicles maintenance	<u>6,750</u>	<u>7,087</u>	<u>7,093</u>	<u>(6)</u>
	135,175	133,403	121,430	11,973
Boards and Commissions				
Appeals board	100	100	-	100
Conservation commission	6,050	6,050	3,047	3,003
Planning board	<u>1,700</u>	<u>1,700</u>	<u>158</u>	<u>1,542</u>
	7,850	7,850	3,205	4,645
Community Services				
Age friendly initiatives	1,750	1,750	192	1,558
Animal control	12,170	12,170	11,715	455
Kennebec land trust	250	250	250	-
KVCOG	4,305	4,305	4,301	4
Library services	35,652	37,424	37,424	-
Readfield television	4,410	4,410	3,375	1,035
Street lights	<u>6,500</u>	<u>6,500</u>	<u>6,075</u>	<u>425</u>
	65,037	66,809	63,332	3,477
Recreation, Parks, and Activities				
Beach	9,912	9,912	8,722	1,190
Recreation	12,310	12,078	5,682	6,396
Town Properties	2,680	2,680	497	2,183
Trails	2,510	2,510	1,667	843
Heritage days	<u>10,000</u>	<u>10,000</u>	<u>7,904</u>	<u>2,096</u>
	37,412	37,180	24,472	12,708

Budgetary Comparison Schedule

Schedule 1 (Continued)

General Fund ▪ Budgetary Basis

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Expenditures (Continued)				
Protection Department				
Fire department operations	\$ 67,900	\$ 66,198	\$ 53,131	\$ 13,067
Ambulance service	26,750	26,750	26,240	510
Tower sites	2,550	2,678	7,695	(5,017)
Dispatching	<u>35,000</u>	<u>35,000</u>	<u>33,876</u>	<u>1,124</u>
	132,200	130,626	120,942	9,684
Cemetery Materials and Services				
Town cemeteries	17,000	17,000	9,252	7,748
Roads and Drainage				
Summer road maintenance	104,928	110,174	123,851	(13,677)
Winter road maintenance	<u>265,650</u>	<u>260,937</u>	<u>260,937</u>	<u>-</u>
	370,578	371,111	384,788	(13,677)
Capital Improvements				
Town Buildings Improvements	810,000	810,000	283,808	526,192
Cemetery	5,000	5,000	-	5,000
Roads	230,000	230,000	97,145	132,855
Equipment	15,000	15,000	-	15,000
Equipment Backhoe	-	44,260	44,260	-
Equipment Leases	19,150	19,150	16,138	3,012
Gile Hall	-	570	570	-
Transfer Station	26,420	26,420	17,175	9,245
Fire Dept Equipment	8,000	8,000	6,680	1,320
Fire Dept Waterholes	500	500	-	500
Fire Debt Per. Protective Gear Rep	2,000	2,000	-	2,000
Maranacook lake dam	<u>-</u>	<u>194,975</u>	<u>194,975</u>	<u>-</u>
	1,116,070	1,355,875	660,751	695,124
Solid Waste Department				
Transfer station	297,500	298,541	298,541	-
Backhoe operation	<u>3,200</u>	<u>3,200</u>	<u>2,391</u>	<u>809</u>
	300,700	301,741	300,932	809
Regional Assessments				
Cobossee watershed	22,852	22,852	22,797	55
Kennebec county tax	275,000	285,400	285,399	1
First park	<u>25,000</u>	<u>25,000</u>	<u>24,796</u>	<u>204</u>
	322,852	333,252	332,992	260

Budgetary Comparison Schedule

Schedule 1 (Continued)

General Fund ▪ Budgetary Basis

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Expenditures (Continued)				
Debt Service				
2018 Maranacook dam bond	\$ 19,973	\$ 19,973	\$ 19,973	\$ -
2015 fire truck bond / lease	55,583	55,583	55,583	-
2013 road and bridge bond	<u>109,117</u>	<u>109,117</u>	<u>109,117</u>	-
	184,673	184,673	184,673	-
Education				
RSU # 38	3,658,515	3,710,394	3,710,394	-
Other Expenditures				
Tax relief	10,000	10,000	384	9,616
Snowmobile club	1,344	1,344	1,344	-
Non-profit agencies	14,148	14,148	13,148	1,000
Readfield enterprise fund	10,000	10,000	-	10,000
Real estate prop. revaluation	10,000	10,000	-	10,000
General assistance	4,500	4,500	188	4,312
Contingency	25,000	25,000	1,875	23,125
Abatements and overlay	<u>15,000</u>	<u>22,713</u>	<u>3,472</u>	<u>19,241</u>
	<u>89,992</u>	<u>97,705</u>	<u>20,411</u>	<u>77,294</u>
Total Expenditures	<u>6,923,804</u>	<u>7,233,369</u>	<u>6,400,539</u>	<u>832,830</u>
Net Change in Fund Balance	<u>\$ (365,148)</u>	<u>\$ (615,721)</u>	<u>\$ 429,529</u>	<u>\$ 1,045,250</u>
Change in Fund Balance Summary				
Committed fund bal additions	\$ -	\$ -	\$ -	
Committed fund bal reductions	(107,660)	(333,233)	-	
Unassigned fund bal additions	-	-	-	
Unassigned fund bal reductions	<u>(257,488)</u>	<u>(282,488)</u>	<u>-</u>	
	<u>\$ (365,148)</u>	<u>\$ (615,721)</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.

Note 2 Budget Line Over-expenditures

The Town of Readfield maintains an administrative ordinance which allows for an increase by up to 5% of any budget item previously approved by the Town Meeting vote by transferring funds from another line balance or miscellaneous income. The Town allocated increases of 5%, of the original budget, to expenditure lines with deficits.

General Government had two budget line items over budget; the net effect for the department in the aggregate was \$22,785 under budget. Municipal Maintenance had two budget line items over budget; the net effect for the department in the aggregate was \$11,973 under budget. Protection had one budget line item over budget; the net effect for the department in the aggregate was \$9,684 under budget. Roads and Drainage had one budget line item over budget; the net effect for the department in the aggregate was \$13,677 over budget.

In total, the Town came in under its total budgeted expenditures by \$832,830, which translates to 11.5% under the total final budget.

Combining Balance Sheet
Nonmajor Special Revenue Funds
 As of June 30, 2020

Schedule 2

	<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>\$ 7</u>	<u>\$ 4,768</u>
Fund Balance					
Assigned	<u>\$ 656</u>	<u>\$ 1,705</u>	<u>\$ 2,400</u>	<u>\$ 7</u>	<u>\$ 4,768</u>

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

Schedule 3

Nonmajor Special Revenue Funds
For the Year Ended June 30, 2020

	Town Boundary Line	Readfield Corner Sewage	Beach Tractor Replacement	Beach Equipment	Total
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures	-	-	-	-	-
Net Change in Fund Balance	-	-	-	-	-
Beginning Fund Balance	<u>656</u>	<u>1,705</u>	<u>2,400</u>	<u>7</u>	<u>4,768</u>
Ending Fund Balance	<u>\$ 656</u>	<u>\$ 1,705</u>	<u>\$ 2,400</u>	<u>\$ 7</u>	<u>\$ 4,768</u>

Combining Balance Sheet
Nonmajor Permanent Funds
As of June 30, 2020

Schedule 4

	Cemetery Funds				
	Perpetual Care Fund	Whittier Fund	Kents Hill Fund	Cemetery Expansion Fund	Kesner Fund
Assets					
Cash and cash equivalents	\$ 3,089	\$ 74	\$ 406	\$ 422	\$ 20
Investments	149,195	3,562	19,636	20,377	956
Due from other funds	<u>2,263</u>	<u>600</u>	<u>-</u>	<u>1,751</u>	<u>-</u>
Total Assets	<u><u>\$ 154,547</u></u>	<u><u>\$ 4,236</u></u>	<u><u>\$ 20,042</u></u>	<u><u>\$ 22,550</u></u>	<u><u>\$ 976</u></u>
Liabilities					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 66
Fund Balances					
Nonspendable - principal	84,900	500	4,910	-	300
Restricted	<u>69,647</u>	<u>3,736</u>	<u>15,132</u>	<u>22,550</u>	<u>610</u>
Total fund balances	<u>154,547</u>	<u>4,236</u>	<u>20,042</u>	<u>22,550</u>	<u>910</u>
Total Liabilities and Fund Balances	<u><u>\$ 154,547</u></u>	<u><u>\$ 4,236</u></u>	<u><u>\$ 20,042</u></u>	<u><u>\$ 22,550</u></u>	<u><u>\$ 976</u></u>

Combining Balance Sheet
Nonmajor Permanent Funds
As of June 30, 2020

Schedule 4 (Continued)

	Cemetery Funds				
	Kolreg Fund	Lincoln Fund	Walker Fund	Townsend Fund	Couture Fund
Assets					
Cash and cash equivalents	\$ 56	\$ 53	\$ 55	\$ 65	\$ 774
Investments	2,688	2,558	2,672	3,149	37,362
Due from other funds	-	-	-	-	-
Total Assets	<u>\$ 2,744</u>	<u>\$ 2,611</u>	<u>\$ 2,727</u>	<u>\$ 3,214</u>	<u>\$ 38,136</u>
Liabilities					
Due to other funds	\$ 84	\$ -	\$ 74	\$ -	\$ -
Fund Balances					
Nonspendable - principal	500	500	600	1,738	20,000
Restricted	2,160	2,111	2,053	1,476	18,136
Total fund balances	<u>2,660</u>	<u>2,611</u>	<u>2,653</u>	<u>3,214</u>	<u>38,136</u>
Total Liabilities and Fund Balances	<u>\$ 2,744</u>	<u>\$ 2,611</u>	<u>\$ 2,727</u>	<u>\$ 3,214</u>	<u>\$ 38,136</u>

Combining Balance Sheet
Nonmajor Permanent Funds
 As of June 30, 2020

Schedule 4 (Continued)

	Other Permanent Funds				Total
	War Memorial Fund	Beach Improvement Fund	Trails Fund	Governor Huntoon Fund	
Assets					
Cash and cash equivalents	\$ 81	\$ 834	\$ -	\$ 120	6,049
Investments	3,921	40,274	-	5,816	292,166
Due from other funds	-	-	25	200	4,839
Total Assets	<u>\$ 4,002</u>	<u>\$ 41,108</u>	<u>\$ 25</u>	<u>\$ 6,136</u>	<u>\$ 303,054</u>
Liabilities					
Due to other funds	\$ -	\$ -	\$ -	\$ -	224
Fund Balances					
Nonspendable - principal	2,156	16,915	-	339	133,358
Restricted	1,846	24,193	25	5,797	169,472
Total fund balances	<u>4,002</u>	<u>41,108</u>	<u>25</u>	<u>6,136</u>	<u>302,830</u>
Total Liabilities and Fund Balances	<u>\$ 4,002</u>	<u>\$ 41,108</u>	<u>\$ 25</u>	<u>\$ 6,136</u>	<u>\$ 303,054</u>

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

Schedule 5

Nonmajor Permanent Funds
For the Year Ended June 30, 2020

	Cemetery Funds				
	Perpetual Care Fund	Whittier Fund	Kents Hill Fund	Cemetery Expansion Fund	Kesner Fund
Revenues					
Investment income	\$ 4,254	\$ 101	\$ 560	\$ 581	\$ 27
Other revenue	<u>900</u>	<u>-</u>	<u>-</u>	<u>300</u>	<u>-</u>
Total revenue	5,154	101	560	881	27
Expenditures					
Program expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9</u>
Net Change in Fund Balance	5,154	101	560	881	18
Beginning Fund Balance	<u>149,393</u>	<u>4,135</u>	<u>19,482</u>	<u>21,669</u>	<u>892</u>
Ending Fund Balance	<u>\$ 154,547</u>	<u>\$ 4,236</u>	<u>\$ 20,042</u>	<u>\$ 22,550</u>	<u>\$ 910</u>

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

Schedule 5 (Continued)

Nonmajor Permanent Funds
For the Year Ended June 30, 2020

	Cemetery Funds				
	Kolreg Fund	Lincoln Fund	Walker Fund	Townsend Fund	Couture Fund
Revenues					
Investment income	\$ 77	\$ 73	\$ 77	\$ 89	\$ 1,065
Other revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	77	73	77	89	1,065
Expenditures					
Program expenditures	<u>9</u>	<u>-</u>	<u>9</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	68	73	68	89	1,065
Beginning Fund Balance	<u>2,592</u>	<u>2,538</u>	<u>2,585</u>	<u>3,125</u>	<u>37,071</u>
Ending Fund Balance	<u>\$ 2,660</u>	<u>\$ 2,611</u>	<u>\$ 2,653</u>	<u>\$ 3,214</u>	<u>\$ 38,136</u>

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

Schedule 5 (Continued)

Nonmajor Permanent Funds
For the Year Ended June 30, 2020

	Other Permanent Funds				Total
	War Memorial Fund	Beach Improvement Fund	Trails Fund	Governor Huntoon Fund	
Revenues					
Investment income	\$ 113	\$ 1,148	\$ -	\$ 166	\$ 8,331
Other revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,200</u>
Total revenue	113	1,148	-	166	9,531
Expenditures					
Program expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27</u>
Net Change in Fund Balance	113	1,148	-	166	9,504
Beginning Fund Balance	<u>3,889</u>	<u>39,960</u>	<u>25</u>	<u>5,970</u>	<u>293,326</u>
Ending Fund Balance	<u>\$ 4,002</u>	<u>\$ 41,108</u>	<u>\$ 25</u>	<u>\$ 6,136</u>	<u>\$ 302,830</u>

Schedule of Changes in Reserve Funds
General Fund Committed Fund Balances
For the Year Ended June 30, 2020

Schedule 6

	Beginning Balance	Net Transfers In (Out)	Program Revenues	Program Expenditures	Ending Balance
Age friendly	\$ 2,257	\$ -	\$ -	\$ -	\$ 2,257
Attorneys fees	-	23,000	-	(23,000)	-
Backhoe	30,260	-	-	(30,260)	-
Ballfield	1,949	-	-	-	1,949
Beach	6,014	-	9,644	(8,722)	6,936
Capital Equip. Leases	2,862	19,150	-	(16,138)	5,874
Capital equipment	21,595	15,000	-	-	36,595
Cemeteries	6,761	17,000	100	(9,252)	14,609
Cemeteries - living fence	14	-	-	-	14
Cemetery capital	14,290	5,000	-	-	19,290
Conservation land	5,244	-	7,355	(3,047)	9,552
Dispatching	5,525	-	-	-	5,525
Dog vaccination fund	505	-	30	-	535
Enterprise fund	54,288	-	-	-	54,288
FD reserve	46,002	77,600	5,270	(67,506)	61,366
Fire station addition	8,147	135,000	578,000	(222,938)	498,209
Fire station improvement	9,205	-	-	-	9,205
Forestry	697	-	-	-	697
Gile hall	18,077	-	-	(570)	17,507
Grant writing	6,942	2,000	-	-	8,942
Heating assistance	5,264	-	2,794	(1,596)	6,462
Heritage days	11,618	-	368	(7,904)	4,082
Library operations	16,270	32,381	4,024	(37,424)	15,251
Library improvements	3,184	100,000	-	(60,870)	42,314
Local tax relief	50,000	-	-	(383)	49,617
Maranacook dam	194,743	-	-	(194,743)	-
Mill stream bridge	369	-	-	-	369
Open space	6,815	-	-	-	6,815
Recreation	19,185	-	6,618	(5,682)	20,121
Revaluation	95,000	10,000	-	-	105,000
Road bond 13-14	454	-	-	-	454
Roads	154,518	275,578	36,560	(384,788)	81,868
Roads capital	58,092	230,000	-	(97,144)	190,948
Sidewalk capital	45,000	-	-	-	45,000
Snowmobiling	1,346	-	1,477	(1,344)	1,479
Town properties	-	2,680	-	(497)	2,183
Trails	3,213	-	2,830	(1,667)	4,376
Transfer station ops	2,260	109,681	30,446	(129,310)	13,077
Transfer station cap	27,832	8,773	16,189	(17,176)	35,618
Total	\$ 935,797	\$ 1,062,843	\$ 701,705	\$ (1,321,961)	\$ 1,378,384



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, 2020, 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 May 17, 2021.

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. We consider the following deficiencies to be material weaknesses:

Bank Reconciliations

Condition: Bank reconciliations obtained during the audit did not reconcile the balance per bank to the account balance per the books and contained an unreconciled difference of greater than ten thousand dollars.

Criteria: Bank reconciliations should reconcile the balance per bank to the balance per books, and any unreconciled differences should be investigated and corrected and a final reconciliation should be performed.

Cause: Items recorded in the books but had not yet been transacted through the bank account (and vice versa) were not all accounted for in the reconciliation and the unreconciled differences were not investigated and rectified before the final reconciliation was prepared.

Effect: An incomplete or incorrectly performed bank reconciliation creates a reasonable possibility that not all transactions affecting cash have been recorded and reported and, thus, could lead to a material misstatement, whether due to fraud or error, not being prevented or detected and corrected in a timely manner.

Recommendation: Management should not consider a bank reconciliation to be complete until all unreconciled differences have been investigated and corrected in the accounting records. Completed bank reconciliations should be reviewed and signed-off on by a responsible official separate from the employee who prepared the reconciliation.

Response: Management agrees with the recommendation.

Corrective Action: Management will implement the recommendation.

Year-End Closing Entries

Condition: The balances of accounts in the general ledger were not adjusted at year end to account for all transactions that are required to be recorded in accordance with generally accepted accounting principles (GAAP).

Criteria: In order to close the accounting records for the fiscal year, management should review all accounts in the trial balance and determine if (a) all transactions that should have been recorded to the account have been recorded, (b) there are any erroneous transactions recorded in the accounts that need correcting, and (c) ending account balances are measured appropriately in accordance with GAAP. After this analysis has been performed, management should post any required adjustments to affected accounts to bring them into compliance with GAAP, and a responsible official, separate from the employee who posted the year-end adjustments, should review the year-end closing entries for appropriateness.

Cause: Management failed to perform the year-end analysis and post necessary adjustments.

Effect: If accounting records are not properly analyzed and adjusted monthly and also at year end, it creates a reasonable possibility that a material misstatement, whether due to fraud or error, would not be prevented or detected and corrected in a timely manner.

Recommendation: Management should not consider the books closed until a qualified employee has analyzed all general ledger accounts and post adjustments, as needed, to bring them into compliance with GAAP. A responsible official, separate from the employee who performed the closing of the books, should review and approve all year-end adjustments.

Response: Management agrees with the recommendation.

Corrective Action: Management will implement the recommendation.

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.



Berry Talbot Royer
Certified Public Accountants
Falmouth, Maine
May 17, 2021